U.S. Department of Agriculture
Office of Inspector General

Rural Development's Financial Statements for Fiscal Year 2025

January 2026

Audit Report 85401-0016-11

USDA **OFFICE OF INSPECTOR GENERAL**
United States Department of Agriculture

DATE: January 20, 2026

AUDIT NUMBER: 85401-0016-11

TO: Todd Lindsey
Acting Under Secretary
Rural Development

ATTN: Cara LeConte
Chief Financial Officer
Rural Development

FROM: Yarisis Rivera-Rojas
Acting Assistant Inspector General for Audit

YARISIS RIVERA ROJAS
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SUBJECT: Rural Development's Financial Statements for Fiscal Year 2025

This report presents the results of our audit of Rural Development's financial statements for the fiscal year ending September 30, 2025. This report contains an unmodified opinion on the consolidated financial statements, as well as the results of our assessments of Rural Development's internal control over financial reporting and compliance with laws and regulations. Your response is included in its entirety in Exhibit A.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than OCFO, please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (https://usdaoig.oversight.gov) in the near future.

Independent Auditor’s Report

Todd Lindsey
Acting Under Secretary
Rural Development

In our audit of the fiscal year 2025 consolidated financial statements of Rural Development, we found:

- Rural Development’s consolidated financial statements as of and for the fiscal year ended September 30, 2025, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;

- a material weakness in internal control over financial reporting based on the limited procedures we performed; and

- no reportable noncompliance for fiscal year 2025 with selected provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the consolidated financial statements, which includes an other-matter paragraph, and a section on required supplementary information (RSI); (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) management’s response.

Report on the Consolidated Financial Statements

Opinion

We have audited Rural Development’s consolidated financial statements, which comprise the consolidated balance sheet as of September 30, 2025; the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources for the fiscal year then ended; and the related notes to the consolidated financial statements (hereinafter referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, Rural Development’s financial position as of September 30, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted government auditing standards, the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of

Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Rural Development and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the consolidated financial statements to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board (FASAB). The information on these websites has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles;

- preparing, measuring, and presenting RSI in accordance with U.S. generally accepted accounting principles;

- preparing and presenting other information included in Rural Development's agency financial statements, and ensuring the consistency of that information with the audited consolidated financial statements and the RSI; and

- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards, and OMB Bulletin No. 24-02 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to our audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rural Development's internal control over financial reporting. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the consolidated financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by FASAB require that the RSI[1] be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not part of the financial statements, is required under standards issued by FASAB, which considers it to be an essential part of financial reporting for

[1] RSI consists of Management's Discussion and Analysis and the Schedule of Combined Statement of Budgetary Resources, which are included with the financial statements.

placing the consolidated financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during the audit of the consolidated financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurances on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Management has omitted its performance measures and results that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by FASAB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The auditor's opinion on the basic financial statements is not affected by the missing information.

Report on Internal Control Over Financial Reporting

In connection with our audit of Rural Development's consolidated financial statements, we considered Rural Development's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies[2] in internal control that might be material weaknesses[3] or significant deficiencies[4] or to express an opinion on the effectiveness of Rural Development's internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. Given these limitations, during our 2025 audit, we identified deficiencies in unliquidated obligations, described in Section 1, Finding 1, that we consider to be a material weakness. However, additional material weaknesses or significant deficiencies may exist that have not been identified.

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[2] A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
[3] A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
[4] A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Rural Development management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In planning and performing our audit of Rural Development's consolidated financial statements as of and for the fiscal year ended September 30, 2025, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02, we considered Rural Development's internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rural Development's internal control over financial reporting. Accordingly, we do not express an opinion on Rural Development's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audit of Rural Development's consolidated financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2025 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin No. 24-02. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to Rural Development. Accordingly, we do not express such an opinion.

We also performed tests of Rural Development's compliance with selected provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our engagement and, accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which Rural Development's financial management systems did not substantially comply with FFMIA.

Rural Development's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to Rural Development.

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to Rural Development that have a direct effect on the determination of material amounts and disclosures in Rural Development's consolidated financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to Rural Development. We caution that noncompliance may occur and not be detected by these tests.

Purpose of the Report on Internal Control Over Financial Reporting and the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of the “Report on Internal Control Over Financial Reporting” and the “Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements” sections is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rural Development’s internal control over financial reporting or compliance. These reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02 in considering Rural Development’s internal control over financial reporting and compliance. Accordingly, these reports are not suitable for any other purpose.

Management’s Response

Management’s response to the report is presented in Exhibit A. Rural Development’s response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

YARISIS RIVERA ROJAS

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Yarisis Rivera-Rojas
Acting Assistant Inspector General for Audit
Washington, D.C.
January 16, 2026

Section 1: Material Weakness in Internal Control Over Financial Reporting

Finding 1: Monitoring Control Weakness Over Unliquidated Obligations

We found that Rural Development (RD) did not reliably identify or timely deobligate obligations that 1) lacked proper authorization or documentation, 2) had been completed but not closed out, or 3) had no expected future expenditures. This occurred because RD's monitoring controls over unliquidated obligations (ULO) are not operating effectively to disclose ULOs that do not meet the criteria as valid and ensure subsequent timely deobligation.

In our testing of the accuracy and validity of a statistical sample of 107 ULOs totaling more than $16 billion as of March 31, 2025, we identified 4 errors:

- Three obligations no longer needed were not timely deobligated.
    - One loan obligation (more than $2.7 million) and two Program Loan Cost Expense obligations (more than $28.6 million combined).
- One grant obligation ($1.5 million) was not supported by required documentation.

These four errors were extrapolated resulting in a most likely error of more than $2 billion from the ULO population of more than $55.8 billion.

Additionally, we identified more than $40 million of ULOs for which RD did not determine validity prior to fiscal year end, and more than $6.7 million for which the disbursement period expired.

Treasury Financial Manual, Bulletin No. 2025-07[5] requires entities to review their unliquidated obligations before fiscal year-end to ensure recorded transactions meet the criteria of valid obligations; and must retain work papers and records on verifications.

Departmental Regulation 2230-001[6] requires program and procurement personnel review ULOs inactive for at least 12 months and over $100. The review must disclose ULOs that are not properly authorized and supported by appropriate documentation, have been completed and not closed out, and under which no future expenditures are expected. Personnel are required to timely cancel or adjust the ULOs as appropriate in the financial management system.

RD's monitoring controls over ULOs were inconsistently executed. As a result, RD may not adequately prevent or timely detect and correct misstatements. Additionally, invalid obligations improperly restrict the availability of funding and increase RD's risk of misstating obligations in its financial statements.

[5] Treasury Financial Manual Bulletin No. 2025-07, *2025 Year-end Closing*, Section 18 (June 2025).
[6] USDA Departmental Regulation 2230-0001, *Reviews of Unliquidated Obligations* (October 28, 2020).

Recommendation 1

Strengthen RD's continuous review and monitoring controls to identify and timely deobligate ULOs that are not properly authorized and supported by appropriate documentation; that have been completed and not closed out; and under which no future expenditures are expected.

Recommendation 2

Determine whether the identified undocumented grant is valid, and properly document review and approval thereof.

Recommendation 3

Deobligate the identified invalid ULOs that are outstanding.

Abbreviations

FASAB .... Federal Accounting Standards Advisory Board
FFMIA .... Federal Financial Management Improvement Act of 1996
OMB .... Office of Management and Budget
RD .... Rural Development
RSI .... required supplementary information
ULO .... unliquidated obligation
U.S. .... United States of America

Rural Development’s
Response to the Audit Report

USDA

United States Department of Agriculture

Rural Development
Business Center

Chief Financial Office

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January 16, 2026

TO: Yarisis Rivera-Rojas
Acting Assistant Inspector General for Audit
Office of Inspector General
United States Department of Agriculture

FROM: Todd Lindsey
Acting Under Secretary
Rural Development

Cara LeConte
Chief Financial Officer

SUBJECT: Response to Audit Report on
Rural Development's Fiscal Year 2025 Financial Statements

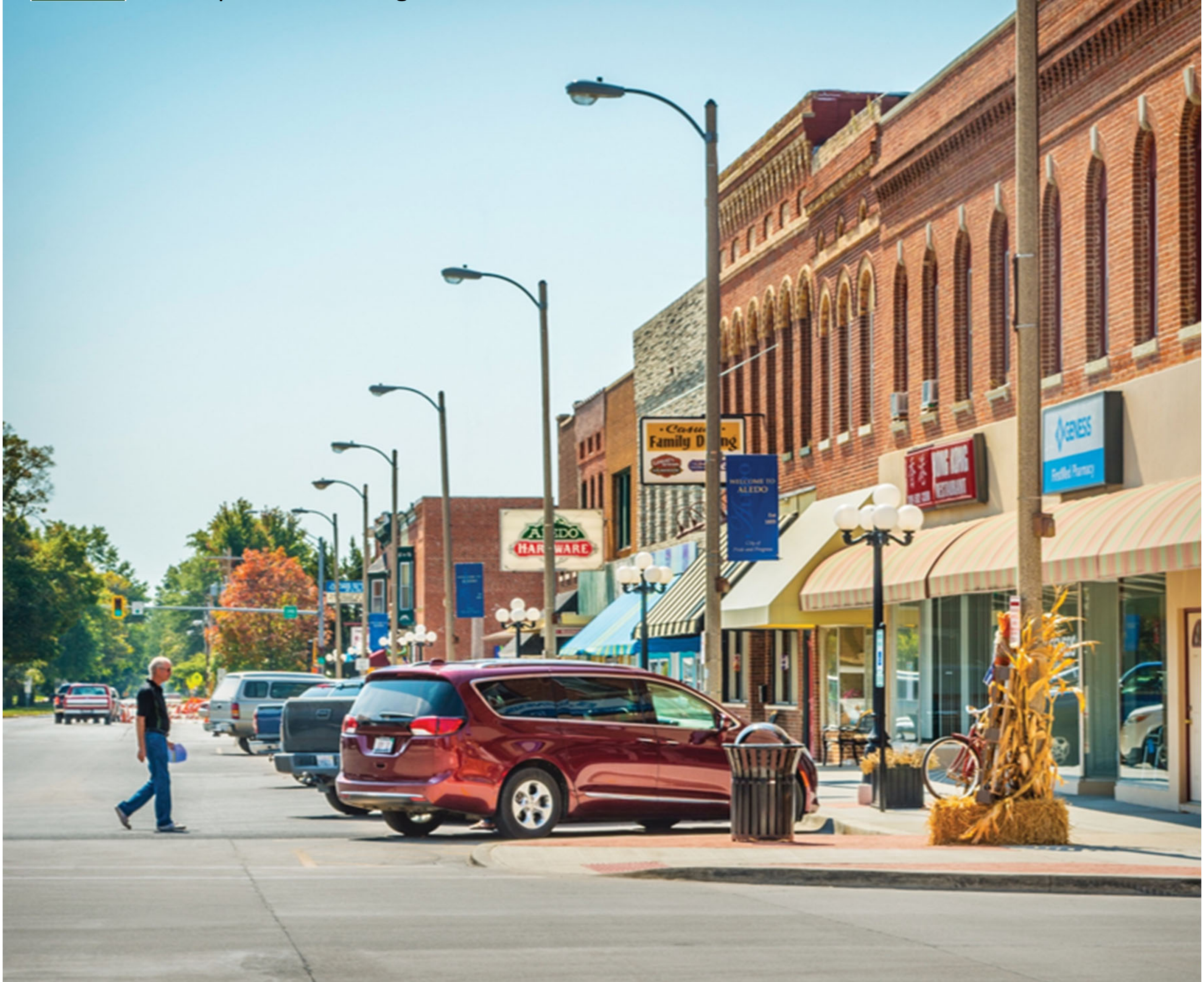
We have reviewed the Office of Inspector General Report on the Rural Development Fiscal Year 2025 Financial Statements, Report on Internal Control Structure Over Financial Reporting, and the Report on Compliance with Laws and Regulations and concur with the findings in the report. We will continue with actions planned and in progress to address the outstanding findings.

I would like to thank your office for its continuing professionalism in conducting the audit.

Rural Development's
Fiscal Year 2025
Consolidated Financial Statements

Prepared by Rural Development

USDA Rural Development
U.S. Department of Agriculture



FINANCIAL STATEMENTS
FISCAL YEAR 2025

This Management Discussion and Analysis, in conjunction with the accompanying financial statements, footnotes, and supplemental information, reflects the activities of the Rural Development mission area of the United States Department of Agriculture.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2025

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Rural Development
Management's Discussion and Analysis (Unaudited)

This Management's Discussion and Analysis (MDA), in conjunction with the accompanying consolidated financial statements, footnotes, and supplemental information, reflects the activities of the Rural Development mission area of the United States Department of Agriculture (USDA).

Mission Statement

In 2025, USDA Rural Development (RD) continues to stand at the heart of strengthening rural America by fostering innovation, expanding opportunity, and building resilience. Our mission is to ensure that rural people, businesses, and communities have the tools they need to thrive in a rapidly changing world. RD connects entrepreneurs and small business owners with access to capital and pathways to emerging markets; delivers reliable, modern infrastructure that powers homes, schools, hospitals, and farms; and expands access to affordable housing and essential services. RD investments in utility infrastructure, community facilities, housing and rural businesses drive rural economic opportunities up and rural cost-of-living down.

Strategic Goal

Rural America remains a cornerstone of the Nation's prosperity, providing much of the food, water, energy, and natural resources that sustain everyday life. These communities also safeguard about 80 percent of the Nation's critical infrastructure and contribute disproportionately to military service, innovation in renewable energy, and stewardship of natural landscapes. Rural regions continue to face unique and pressing challenges: persistent poverty, limited access to capital, heightened exposure to climate risks, and outdated infrastructure systems. In response, Rural Development's forward-looking strategy will potentially strengthen economic resilience by modernizing infrastructure through investments in broadband, electric systems, energy, water and wastewater facilities, and transportation; strengthening housing and community facilities to ensure safe, affordable, and accessible living environments, and healthcare centers; supporting rural businesses and partnering with Tribal Nations, underserved communities. Through this strategy, Rural Development ensures that rural America continues to play an essential role in the Nation's economic security and social fabric.

Organizational Structure

USDA Rural Development carries out its mission through three core agencies: the Rural Utilities Service (RUS), which builds telecommunication, electric, and water systems; the Rural Business-Cooperative Service (RBCS), which finances businesses and cooperatives to grow jobs; and the Rural Housing Service (RHS), which expands access affordable housing and community facilities. They are supported by the Innovation Center for modernization, the Business Center for administrative operations, and the Office of External Affairs for communications and outreach. Together, with State, field, and National offices, RD combines expertise and local presence to expand opportunity in rural America.

Rural Development Loan Portfolio

RD programs provide loans and grants to rural people and develop partnerships with local leaders to promote growth and prosperity for rural families and local communities. The table below reflects Rural Development's Total Loan Portfolio from fiscal year (FY) 2023 through 2025. In FY 2025, Rural Development's total loan portfolio was $225.6 billion, which included $117.3 billion in direct loans and $108.3 billion in guaranteed loans.

Total Loan Portfolio as of September 30, 2025
FY's 2023 Through 2025
(Dollars in Billions)

	FY 2023	FY 2024	FY 2025
Direct Loans			
Water & Environmental	$13.6	$14.3	$14.9
Electric	56.3	58.6	62.4
Telecommunications	2.2	2.2	2.1
Business Programs	1.0	1.1	1.4
Single Family Housing	14.0	14.4	14.5
Multi-Family Housing	9.3	9.1	8.9
Community Facilities	12.0	12.5	13.1
Total Direct	108.4	112.2	117.3
Guaranteed Loans			
Water & Environmental	$0.1	$0.1	$0.1
Electric	0.1	0.1	0.1
Business Programs	8.5	8.8	9.2
Single/Multi-Family Housing	101.7	98.9	97.8
Community Facilities	1.1	1.1	1.1
Total Guaranteed	111.5	109.0	108.3
Total Loan Portfolio	**$219.9**	**$221.2**	**$225.6**

Performance measures are not included in the FY2025 Management Review and Discussion (MDA). Performance measures (or Key Performance Indicators (KPIs)) measure progress towards achieving the strategic goals and objectives of the agency. Given that USDA is currently developing the FY2026-2030 Strategic Plan with new KPIs, the 2025 MDA will not include the status of USDA's new KPIs.

Future Opportunities

Opportunities

In alignment with Secretary Rollins' efforts to bring greater efficiency to USDA to ensure that it better serves America's farmers, ranchers, producers, and the rural community, Rural Development has undertaken a multitude of bold initiatives. Under the Secretary's leadership, the organization has undertaken reforms in contracts and workforce optimization.

USDA Leadership set the goal to review contracts, grants, cooperative agreements, and spending to ensure effective use of American taxpayer's dollars. To support this effort, the agency incorporated a new approval process for grants, loans, and cooperative agreements; and they must be approved by senior leadership before the agency can allot funds. Amplifying the rigor of review ensures that the agency is focusing on making sound and sustainable investments in rural America.

The workforce optimization efforts of the agency resulted in opportunities for the agency to participate in department-wide efforts as well as considering new and innovative ways of doing business to include the increased usage of enhanced technology. The Assistant Chief Information Officers announced several information technology (IT) enhancements launched this year that impact RD. The IT Service Desk Agent, which is the Department's first generative AI-based chatbot, efficiently addresses self-service IT issues without the need for a live agent, offering employees 24/7 support. Additionally, there are ongoing opportunities for employees to receive training and community-wide support on tools such as UiPath StudioX, UiPath Assistant, and Task Capture. Leveraging these technologies provides new opportunities for the agency to improve efficiencies in operations to better serve our rural communities.

The Innovation Center's Data Analytics Division created the Rural Data Gateway which hosts public-facing dashboards featuring over 15 dynamic visualizations of RD investments. The Rural Data Gateway strengthens USDA Rural Development partnerships with rural people, entrepreneurs, government officials, and Congress by making RD's data more available and easier to access. It features Rural Investment Dashboards that significantly expand access to RD financial data through an easy-to-use interface that allows data from more than 65 RD programs to be viewed and downloaded. The Gateway and dashboards will help USDA provide more resources to the people who need them in rural places.

Rural Development Programs

RD programs support rural prosperity by investing in sustainable telecommunications infrastructure, affordable rural housing, rural businesses and jobs; water and wastewater systems; electric infrastructure, and essential community facilities. Grants, loans, and loan guarantees from RD and its partners help make rural America a place everyone can call home.

- Rural Business-Cooperative Service (RBCS) offers access to capital to enable businesses to grow in rural areas. These programs help provide capital, training, education, entrepreneurial skills, expand energy production and efficiency and build bio-based markets that can help people living in rural areas start and grow businesses or find jobs in agricultural markets.
- Rural Utilities Service (RUS) provides financing to build or improve infrastructure in rural communities. This includes water and waste treatment, electric power, and telecommunications services. RUS programs also keep the people of rural America connected with reliable, high-speed internet that brings new and innovative ideas to the rest of our country.
- Rural Housing Service (RHS) offers a variety of programs to build or improve housing and essential community facilities in rural areas. RHS offers loans, grants, and loan guarantees for single- and multi-family housing, childcare centers, fire and police stations, hospitals, libraries, nursing homes, schools, first responder vehicles and equipment, housing for farm laborers, and much more.

RD Priorities Framework

Rural Development has undertaken the following actions in response to the President's 2025 Initiatives:

- **Executive Order 14151, Ending Radical and Wasteful Government DEI Programs and Preferencing, issued January 20, 2025,** mandates termination of DEI, DEIA (Diversity, Equity, Inclusion, and Accessibility), and "environmental justice" mandates, policies, programs, and activities across the Federal Government. As of September 30, 2025, Rural Development has amended multiple programs to remove DEIA scoring criteria.
- **As of March 25, 2025,** Rural Development amended many previously issued program funding opportunities to eliminate Diversity, Equity, Inclusion and Accessibility (DEIA) scoring criteria, bringing programs into compliance. Applicants were not required to refile applications in response to this change. The Agency completed application reviews without addressing these criteria for applications submitted prior to the issuance of this Executive Order.
- **Massive 10-to-1 Deregulation Initiative, issued February 19, 2025,** is designed to ensure that for every new rule, regulation or guidance issued, an agency must identify at least 10 existing rules, regulations or guidance documents to be repealed. RD is reviewing all regulations to reduce regulatory burden and costs. To date, RD identified provisions in 7 CFR part 1930, which are obsolete, unnecessary and outdated due to lack of substantiative material. As a result, RD removed these provisions to streamline and clarify the dictates of Title 7.

- **Also on January 20, 2025, President Trump ordered agency heads to deliver emergency price relief.** To this end, the Rural Housing Service is using several tools to provide relief for residents facing higher costs. These tools include Reduced Down Payments, Below Market Interest Rates, Financial Assistance (payment assistance), Grants for Development, project rehab support, disaster funding and the like. RUS utility investments in water, sewer, electric, telecommunications and broadband infrastructure help keep rural utility rates affordable. These cost savings flow through the rural and farm economy.
- **As of March 2025 Timber Production executive order directed the USDA and Department of the Interior to increase timber production on federal lands** by streamlining regulations, simplifying permitting, and setting new annual timber sale targets. President Trump's Executive Order 14225 aims to reduce foreign reliance on timber, cut costs, create jobs, and improve forest management for wildfire risk reduction. As of September 30, 2025, the agency obligated $103.3M covering 11 obligations towards the Timber Production Expansion Program Guaranteed Loans.
- **Sustaining Select Efforts to Strengthen the Nation's Cybersecurity.** Funded by the White House Office of the National Cyber Director (ONCD) through the USDA Rural Development Circuit Rider contract, the Cybersecurity Circuit Rider Pilot Program was launched to address one of the more urgent and overlooked vulnerabilities in the nation's critical infrastructure: cybersecurity in rural water and wastewater systems. This initiative deploys skilled water professionals with cybersecurity expertise to conduct on-site assessments, training, and remediation support in small, rural utilities. The program is currently operating in Vermont and Oregon.

A priority of the Trump Administration is to make America's government more efficient by doing the following in RD.

- **Revising Annual Household Income Calculations:** On June 30, 2025, the Rural Housing Service (RHS) Office of the Multifamily Housing (MFH) implemented Housing and Urban Development's Housing Opportunity Through Modernization Act (HOTMA) requirements, which standardized and simplified income and asset verification processes across housing programs, potentially benefiting rural development certification processes and potentially reducing program complexity for owners and residents dealing with multiple Federal housing programs.
- **Using Department-wide National Environmental Policy Act (NEPA) rules to determine program eligibility:** Beginning October 1, 2025, USDA will implement 7 CFR 1b, new regulations for determining NEPA compliance. These regulations consolidate multiple agency-specific NEPA regulations into a single, department-wide set of rules for use by all USDA subcomponents. These combined regulations allow the Department to efficiently deliver the critical services and funds America's ranchers, farmers, loggers, and rural communities rely on and corrects the harms caused by decades of unnecessarily lengthy, cumbersome NEPA reviews.

- USDA Rural Development's RUS programs exemplify this by providing targeted support to strengthen rural communities. The ReConnect Broadband Program **expands of high-speed internet in areas that lack service**. By combining loans and grants, the program ensures communities gain access to broadband efficiently, supporting education, telehealth, and economic opportunities while empowering local providers to deliver long-term solutions.
- Similarly, the Electric Programs reflect the **Administration's focus on smart investment to meet the nation's growing demand for electricity by providing affordable financing to modernize rural electric infrastructure**. Through support for smart grid projects and power supply initiatives, RUS helps reduce capital costs for utilities, improve service reliability, and resiliency. The jobs created through electric infrastructure promote rural prosperity, sustainable growth, and help rural areas thrive economically while maintaining high-quality essential services.
- Finally, the Community Connect Grants **highlight the importance of strategic resource allocation in enhancing rural connectivity**. By funding broadband projects in underserved communities, the program ensures that schools, healthcare facilities, and businesses gain access to essential digital services. With a focus on self-reliance and locally driven solutions, RD empowers communities to implement tailored initiatives that meet their unique needs and drive long-term development.

OneRD Guarantee Program

USDA is committed to cutting red tape and streamlining investment, so we can be a better partner to America's rural leaders in building prosperity. Through a series of regulatory reforms, USDA eliminated duplicative processes and launched a single platform for the Mission Area's four key loan guarantee programs. These programs are:

- Water and Waste Disposal Guaranteed Loan Program
- Community Facilities Guaranteed Loan Program,
- Business and Industry Loan Guarantee Program,
- Rural Energy for America Guaranteed Loan Program.

The consolidated One RD structure is designed to streamline processes, reduce redundancy, and strengthen risk management. Launched in 2020, the program simplifies lending and accelerates rural investment, making it easier for lenders to finance infrastructure, housing, energy, and business projects.

In September 2024, USDA issued a final rule updating eligibility criteria, REAP priority points, and oversight processes, effective November 29, 2024. RD also implemented Build America, Buy America guidance, expanded digital lender tools, and hosted lender training sessions and forums to improve transparency, engagement, and access. These efforts continue to make OneRD more responsive and efficient for both lenders and rural communities.

As of FY 2025, RD continues to modernize the OneRD Guarantee Program, expand outreach, and strengthen public-private partnerships. Together, these actions ensure the program remains a vital tool for rural investment, sustainable development, and economic growth, helping communities thrive across the Nation.

In FY 2025 the programs have obligated the following totals:

- Guaranteed Water and Waste Disposal Loans: approximately $2.8 million across two obligations
- Guaranteed Community Facility Loans: approximately $89.3 million across eight obligations
- Guaranteed Rural Energy for America Loans:
  - Guaranteed Renewable Energy Loans: Mandatory: $129.4 million across 15 obligations
  - Guaranteed Renewable Energy and Energy Efficiency Loans: $48.9 million across nine obligations
- Guaranteed Business and Industry (B&I) Loans:
  - Guaranteed B&I 1% Loans: $392.7 million across thirty-one obligations
  - Guaranteed B&I 3% Loans $1,719 billion across 220 obligations

Rural Energy for America Guaranteed Loan Program

The Rural Energy for America Program (REAP) helps increase American energy independence by increasing the private sector supply of renewable energy and decreasing the demand for energy through energy efficiency improvements. Over time, these RD investments can also help lower the cost of energy for small businesses and agricultural producers. On July 7, 2025, the President signed Executive Order 14315, Ending Market Distorting Subsidies for Unreliable, Foreign Controlled Energy Sources. In this EO, he underscored the importance of “Ending the massive cost of taxpayer handouts to unreliable energy sources is vital to energy dominance, national security, economic growth, and the fiscal health of the Nation.” To align with this EO, the agency has been directed to:

1. Rapidly eliminate the market distortions and costs imposed on taxpayers by so called “green” energy subsidies.
2. Build upon and strengthen the repeal of and modifications to, wind, solar, and other “green” energy tax credits in the One Big Beautiful Bill Act.
3. End taxpayer support for unaffordable and unreliable “green” energy sources and supply chains built in, and controlled by, foreign adversaries.

Through the implementation of this guidance, the program will work to serve farmers, ranchers, and producers with energy sources using wind and solar sized for their facilities. This information was published in an unnumbered letter on August 18, 2025, on the agency’s website. As documented in the guidance, the program made several adjustments regarding eligibility for the guaranteed program. REAP projects are ineligible if they include:

- ground mount solar photovoltaic systems larger than 50kW
- ground mount solar photovoltaic systems that cannot document historical energy usage

- ground mount solar photovoltaic systems proposing to be installed on certified cropland as defined by the Farm Service Agency in Handbook 10-CM (rev. 2) exhibit
- solar photovoltaic systems consisting of any component made in a country named as a foreign adversary as defined in 15 CFR 791.4.

Business and Industry (B&I) Guaranteed Loan Program

The purpose of the Business and Industry (B&I) Guaranteed Loan Program is to improve the economy in rural communities through the development, improvement, or financing of business, industry, and employment. In FY 2025, the RBCS program Administrator has highlighted how the B&I Guarantee Program provides the agency with the tremendous opportunity to improve the lives of rural Americans. This year, there is an increased focus to use allocated funds to enhance rural lives and communities through these investments. With an enhanced focus on portfolio health, the program Administrator implemented several actions to ensure the strong stewardship of the B&I Guaranteed portfolio. As outlined in the published Unnumbered Letter, all State Directors were tasked to take immediate action on all delinquent loans in their portfolio. Such actions to address delinquencies include working with the lenders to create plans to bring loans current or may involve initiating the process of liquidation. To be more proactive in their stewardship, states were asked to enhance communication to receive updates on current loans and immediately report when new delinquencies occur.

Rural Housing Service

The Single-Family Housing Programs, Direct and Guaranteed, are the single largest investment area for Rural Development Programs. Rural Development's Single Family Housing Programs provide financing for families and individuals with the opportunity to purchase, build, repair their existing home, or to refinance their current mortgage. Eligibility for these loans, loan guarantees, or grants is based on area median income for an eligible rural area. The Multi-Family Housing Program (MFH) provides financing to rural property owners and builders through loans, loan guarantees, and grants that enabling them to develop and rehabilitate properties for low-income, elderly, and disabled individuals and families as well as domestic farm laborers. MFH works with the owners of its direct and farm labor housing loan properties to subsidize rents for qualifying low-income tenants. These programs along with Rental Assistance provide additional rent credit to low-income tenants.

- **Single Family Housing Direct Loans**

  As of June 30, 2025, the direct loan program obligated $547 million across 1,977 loans in the Section 502 Direct Loan portfolio, in support of the Administration's goal of providing lasting affordable homeownership to Rural America.

  This year, SFHD had programmatic success in delivering its disaster response and recovery platforms to Rural Americans devastated by Presidentially declared National Disasters. The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009, P.L. 110-329 (7 U.S.C. § 6945) ("the Act"), created the Disaster Assistance Fund (DAF). Secretary Rollins made $48.6 million in funding available to SFH. The funding may be used until expended, to provide additional amounts in loans, grants, loan guarantees, or cooperative agreements, for any authorized activities of agencies of the Rural Development Mission Area in areas affected by a disaster declared by the President, the Secretary of Agriculture, or the Governor of a State or Territory. This funding will enable the Agency to help repair homes in rural areas that were impacted by disasters occurring since Calendar Year 2022 and will be administered by our respective State Offices.

- **Single Family Housing Guaranteed Loan Program (SFHGLP)**
  As of June 30, 2025, the guaranteed loan program obligated $5.8 billion across 28,592 loans in support of the Administration's goal of providing lasting affordable homeownership to Rural America.

  The program provides low- and moderate-income rural families with access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. The SFH Guarantee Loan Program continues to advance the strategic goal of creating prosperity in Rural America by addressing the critical need for credit access in rural areas. Without the USDA loan guarantee, lenders may not extend mortgage credit to tens of thousands of creditworthy low- and moderate-income Rural Americans. An increase in obligations over the past year provides evidence of market improvement.

  On March 4, 2025, Rural Development issued the *Updating Manufactured Housing Provisions* rule, further broadening program access. This rule enables prospective borrowers to purchase existing manufactured homes, thereby expanding choice and affordability in the housing market for both the SFHD and SFHGLP programs.

  The agency is preparing a pilot program to support the Lender Delegated Authority provisions and implement the multiple system changes needed to fully automate the Delegated Authority provisions.

- **Multi-Family Housing Direct Loans**
  The program provides financing for affordable multifamily rental housing to house very-low, low income, elderly or disabled individuals and families, and farm laborers. The loans feature terms and conditions that support the development or preservation of affordable rural rental housing. MFH is focused on the expansion and preservation of rural, affordable housing. Through the Simple Transfer Pilot Program, MFH simplifies the transfer of Section 515, Rural Rental Housing and Section 514, Farm Labor Housing properties by expanding ownership options and reducing regulatory burdens.

  By reducing application requirements for certain types of transfers, the agency expects to lower transaction-related costs for applicants and improve overall processing times, both high priority goals of the Administration.

- **Community Facilities Programs**
  The Community Facilities Program provides direct loans, loan guarantees, and grants to develop or improve essential public services and facilities in communities across rural America. Essential community infrastructure is key in ensuring rural communities have access to health care, education, public safety, and other public services. Public bodies, non-profit organizations, and federally recognized Indian Tribes are eligible for funding. Projects include hospitals, health clinics, charter schools, day care facilities, fire and rescue stations, village and town halls, and other essential community facilities. In 2025, Secretary Rollins announced the availability of $69 million in funding for essential community facilities damaged by disaster.

Telecommunications Programs

- **Distance Learning and Telemedicine (DLT)**
  Between October 2024 and June 2025, USDA announced approximately $35 million in funding for the Distance Learning and Telemedicine (DLT) Grant Program. In June approximately 4.2 million has been obligated. This program supports rural schools, libraries, and healthcare facilities in acquiring the telecommunications infrastructure needed to connect students and patients with educational resources and medical specialists in locations that would otherwise be inaccessible. Grants enable rural schools to expand STEM and other academic programs, providing students with access to online coursework, virtual labs, and learning resources that prepare them for college and career opportunities. Rural healthcare providers benefit from telemedicine technologies that allow smaller hospitals to provide highly specialized care without relocating specialty physicians. Telemedicine helps hospitals increase patient volume, improve quality of care, and reduce staffing costs. This program supports rural schools, libraries, and healthcare facilities in acquiring the telecommunications infrastructure needed to connect students and patients with educational resources and medical specialists in locations that would otherwise be inaccessible. Grants enable rural schools to expand STEM and other academic programs, providing students with access to online coursework, virtual labs, and learning resources that prepare them for college and career opportunities. Rural healthcare providers benefit from telemedicine technologies that allow smaller hospitals to provide highly specialized care without relocating specialty physicians. Telemedicine helps hospitals increase patient volume, improve quality of care, and reduce staffing costs.

- **Broadband**
  In early 2025, USDA issued a Notice of Funding Opportunity for the Community Connect Grant Program, providing approximately $26 million in grants to expand broadband access in economically challenged rural communities, with 24.4 million in total obligations received in June 2025. These projects support households, businesses, schools, and healthcare providers in areas where broadband service is limited or nonexistent. Broadband expansion creates opportunities for remote work, entrepreneurship, and e-commerce, fueling economic growth in rural communities. Students gain access to online

courses and virtual tutoring, while hospitals and clinics can implement telehealth services, improving outcomes for residents who would otherwise travel long distances for care.

- **Broadband Technical Assistance (BTA)**
  The Broadband Technical Assistance (BTA) Program continued in FY 2025, providing funding to eligible entities for technical and planning assistance that supports broadband expansion into rural areas. Activities funded include project planning, environmental compliance, engineering and construction planning, financial sustainability, community engagement, and access to federal resources. By assisting communities in planning and implementing broadband projects, BTA ensures that the new infrastructure is sustainable, cost-effective, and maximally beneficial to residents and businesses. The BTA program is expected to have obligated approximately $12 million in total by September 2025, reflecting significant investment in rural broadband planning and capacity building. These programs collectively improve access to high-speed internet, education, and healthcare in rural communities, empowering residents and supporting local economies.

In alignment with the Budget Data Request 25-16 on April 15, 2025, "Status of Energy-Related Infrastructures and Jobs Act (IIJA) and the Inflation Reduction Act (IRA) Funding, the agency provided the requested status of funds information for these programs. As captured in the document, "The Administration is committed to ensuring the best use of taxpayer funds and intends to hold to the President's promise to the American people to cut energy and electricity bills across the country. To support these goals, it is the Administration's policy to prioritize the development and use of resources that promote domestic energy production, energy infrastructure development, and/or broad-based improvements to energy efficiency — with particular attention to reliable, dispatchable power."

Financial Highlights

Fiscal Year Ending September 30th (Dollars in Millions)	**FY 2025**	**FY 2024**
Total Assets	$153,941	$148,237
Total Liabilities	$129,959	$123,307
Total Net Position	$23,982	$24,930
Total Net Cost of Operations	$5,650	$4,898
Total Budgetary Resources	$58,634	$49,865

Rural Development had total assets of $153,941 million at the end of FY 2025 which is up from $148,237 million in FY 2024, an overall increase of $5,704 million. The increase is mainly attributed to Loans Receivables which increased by $5,850 million with the increase being most noticeable within the Electric program. Negative Liability for Loan Guarantees had a decrease of $1,174 million, while FBWT increased by $994 million.

Total Liabilities of $129,959 million in FY 2025 increased from $123,307 million in FY 2024, an increase of $6,652 million. Debt contributed to majority of the variance increasing by $6,707 million. The increase was a result of increased borrowings from Treasury and the Federal Financing Bank. Downward Reestimates Payable to Treasury increased by $275 million, while Resources Payable to Treasury decreased by $373 million.

Total Net Position decreased $948 million in FY 2025 compared to FY 2024. The change in the Net Position is caused by a decrease in Unexpended Appropriations of $1,164. The Beginning Balance of Unexpended Appropriations and Appropriations Used decreased by $647 million and $2,152 million, respectively, while Appropriations Received increased by $1,560 million. The additional change is attributed to an increase in the overall Cumulative Results of Operations of $216 million from FY 2024.

Total Net Cost of Operations increased $752 million. Total Gross Costs increased by $830 million due to an increase in Grants and Interest Expense on Treasury borrowings of $792 million and $554 million, respectively. The increases were reduced by a decrease in Loan Cost Subsidies of $596 million. Total Gross Costs were offset by a $78 million increase in Earned Revenues in FY 2025 compared to FY 2024.

Total Budgetary Resources increased by $8,781 million. The budgetary accounts decreased by $2,667 million while the non-budgetary accounts increased by $11,448 million. The changes in the budgetary accounts was related to a decrease in Unobligated Balance from Prior Year Authority indicating more resources were expended in the prior fiscal year so less was brought forward to FY 2025. The increase in the non-budgetary accounts was mostly due to an increase in Borrowing Authority of $9,113 million and Spending Authority from Offsetting collection of $3,369 million.

Principal Financial Statements

The principal financial statements report the financial position, financial condition, and results of operations pursuant to the requirements of 31 U.S.C. 3515 (b). The statements are prepared from the records of Federal entities in accordance with Federal Generally Accepted Accounting Principles (GAAP) and the formats from the Office of Management and Budget (OMB). Reports monitor and control budgetary resources that are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Analysis of Entity's Systems, Controls, and Legal Compliance

Management Assurances

Federal Managers' Financial Integrity Act (FMFIA)
The purpose of the FMFIA is to promote the development of systematic and proactive measures to ensure management accountability for the effectiveness and efficiency of program and business operations.

RD Management has conducted its annual evaluations of internal controls, enterprise risk, and financial systems pursuant to Section 2 and Section 4 of the FMFIA, Section 803(a) of the Federal Financial Management Improvement Act (FFMIA), and in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control, for the period ended September 30, 2025. RD's ERM framework includes a risk taxonomy which provides a consistent structure for identifying, classifying, and addressing risks across the diverse mission of RD. Based on the results of the evaluations, RD provides reasonable assurance that the overall system of internal controls is operating effectively.

Section 2 of the FMFIA focuses on the assessment of the adequacy of management controls to manage the risk associated with a given program or operation and to provide reasonable assurance that obligations/costs comply with applicable laws and regulations; that Federal assets are safeguarded against fraud, waste and mismanagement; and that transactions are properly recorded and accounted for.

A material weakness identifies an instance in which the management controls are not sufficient to provide the level of assurance required by Section 2 and requires major milestones for corrective action.

In FY 2025, the Office of the Inspector General identified a material weakness over internal controls for Unliquidated Obligations during the audit.

Section 4 of the FMFIA relates to the review of financial accounting systems to ensure conformance with certain principles, standards, and other Federal requirements. A financial system nonconformance is an instance in which the financial system does not conform to the requirements of Section 4. A nonconformance also requires major milestones for corrective action.

In FY 2025, there were no new non-conformances, and no new consolidated non-conformances identified.

Federal Financial Management Improvement Act (FFMIA).
The purpose of the FFMIA is to promote management's compliance with Federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level. Financial management systems include both financial and financially related (or mixed) systems.

The current Rural Development loan and grant accounting and servicing systems, in addition to their front-end applications, contain functionality and/or information for loan and grant applications, loan and grant characteristics, borrower and grantee statistical information, obligation and disbursement requests, borrower unpaid balances, borrower history related to repayments, payment logic, edits and servicing transactions to conform to agency regulations, program performance, and credit reform loan indicators. There are five major loan and grant accounting and servicing systems currently in use by Rural Development that service all Rural Development programs, and one fund control system that manages allotments, obligations, and disbursements; and currently functions as described below. RD is developing a modernization roadmap that includes planned disposition of certain systems as noted in their descriptions.

Program Loan Accounting System (PLAS)
The PLAS system supports multiple functional areas for RD direct loan and grant programs – Single Family Housing (SFH) Programs and the Farm Loan Program (FLP) of the Farm Services Agency (FSA) in the Farm Production and Conservation (FPAC) Mission Area. In addition to loan and grant functionality, PLAS also supports General Ledger functionality for RD and FPAC. Efforts are underway to document PLAS functionality leading to the eventual retirement of this outdated system. As the two mission areas work together to plan for PLAS retirement, the FOCAL Interest tables (used to calculate interest payments in PLAS) will be updated prior to their expiration in December 2025. The current FOCAL Interest tables code deployment was scheduled for late August 2025. As of July 2025, the RD RBCS, CF and WEP loan and grant portfolio has been migrated to CLSS which will eliminate the impact of FOCAL Interest on the RD Portfolio. Additionally, PLAS loan accounting / servicing solutions are being considered, and general ledger functionality replacement will be integrated with USDA's Financial Management Improvement Initiative (FMMI).

Automated Multi-Family Accounting System (AMAS)
AMAS is used to support direct loans and grants for the Rural Development MFH programs, including the Rental Assistance programs. Efforts are underway to modernize Rural Developments Loan Servicing systems which could lead to the eventual retirement of AMAS.

Guaranteed Loan System (GLS)
GLS is used to support guaranteed loans for RD and Farm Loan programs. Additionally, GLS is used to support the applications related to some direct loans and grants for RD Business Programs. Lender Interactive Network Connection (LINC) provides an interface between Rural Development guaranteed lenders and underwriting systems.

Commercial Loan Servicing System (CLSS)
CLSS supports the Electric, Telecommunications, WEP, CF and BP direct loan and grant programs. CLSS is being evaluated during modernization efforts to ensure consistency across USDA and potential integration with all RD Loan Programs.

LoanServ
LoanServ is a commercial mainframe product. It records and manages obligations, disbursements, collections, and servicing for Rural Development SFH programs, including collecting and disbursing borrower escrow payments. LoanServ also provides the interfaces to taxing authorities, insurance providers, credit bureaus, the U.S. Department of Treasury for the Treasury Offset Program and Cross Servicing for Guaranteed Loss Claims, and other entities which assist in providing a secure and robust loan servicing system.

Program Funds Control System (PFCS)
PFCS is a WEB-based financial management system designed to consolidate and reengineer the funding controls for multiple loan programs at FSA and RD. As such, PFCS is designed to provide tools that support the budgetary and programmatic control of loan-related funds. In addition, PFCS is designed to reduce the processing time required for approving these loans and thus improve program delivery to USDA customers. PFCS replaced two existing legacy funds control systems that are mainframe-resident. The new system provides overall agency fund control through interfaces with five major loan accounting systems, allows timely implementation of new loan and grant programs, and provides timely obligation and funding data for senior program managers.

RD is in the process of analyzing and transforming how financial and accounting processes can properly communicate with the USDA core Financial Management Modernization Initiative (FMMI) financial system. This includes analysis of business requirements to design and implement a modernized platform to transition loan servicing data to a new system, providing consistent loan and grant functionality, improved process flows, data warehouse extracts and Business Intelligence Reporting, and select interface staging.

RD continues to evaluate the integration and modernization of the current systems to modernize the technological platforms on which systems and applications are built. The major drivers behind modernization are to automate technology gaps where processes are being performed manually, eliminate duplication where multiple systems perform similar functions, and reduce the risk and the cost of reliance on antiquated technology. Modernization will result in improved efficiency and streamlined business processes.

Compliance with Laws and Regulations
RD reports no new non-compliances during FY 2025. RD management evaluated its financial management systems under FFMIA for the period ended September 30, 2025. Based on the results of its evaluation, RD is in substantial compliance with the Federal Financial Management Systems Requirements, Applicable Federal Accounting Standards, and the Standard General Ledger at the transaction level.

Payment Integrity Information Act (PIIA) of 2019

The Payment Integrity Information Act of 2019 (PIIA) requires that executive agencies identify programs that may be susceptible to significant improper payments, estimate the annual number of improper payments, and submit those estimates to Congress. A program with significant improper payments (referred to as a high-priority program) has both a 1.5 percent improper payment rate and at least $10 million in improper payments or exceeds $100 million dollars in improper payments. Rural Development does not report any program meeting the high-priority threshold.

Agencies are required to establish a recovery audit program or provide a justification that a recovery audit program would not be cost effective for each program that expends $1 million or more annually. For RD, 32 programs received OMB waivers from conducting recovery audit due to cost effectiveness, and 4 programs developed internal recovery audit programs. These internal recovery audit programs identify and recover improper payments. Activities include data mining-initiated reviews, limited scope reviews, special investigations, eligibility verification, agency wide audits, and internal control reviews. Management has reviewed all applicable programs and activities to identify any area that may be susceptible to significant improper payments, and no deficiencies were identified. For FY 2026 RD's program inventory will increase significantly to meet Executive Order 14249's requirement for a one-to-one match program alignment between the Federal Program Inventory, Assistance Listing and PIIA Program Inventory. At this time RD will reevaluate program waivers.

Agency information and resources can be found at www.paymentaccuracy.gov.

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2025
(In Millions)

		2025
Assets (Note 2):		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	$	36,644
Accounts Receivable, Net (Note 5)		0
Total Intragovernmental Assets		36,644
Other than Intragovernmental Assets:		
Cash and Other Monetary Assets (Note 4)		112
Loans Receivable, Net (Note 6)		116,495
Negative Liability for Loan Guarantees (Note 6)		528
Property, Plant, and Equipment, Net (Note 7)		162
Total Other than Intragovernmental Assets		117,297
Total Assets		**153,941**
Liabilities (Note 8):		
Intragovernmental Liabilities:		
Debt (Note 9)		123,249
Other Liabilities		
Resources Payable to Treasury		4,593
Downward Reestimates Payable to Treasury General Fund		1,537
Other Liabilities (Note 11)		15
Total Intragovernmental Liabilities		**129,394**
Other than Intragovernmental Liabilites:		
Accounts Payable		179
Federal Employee Salary, Leave, and Benefits Payable (Note 10)		63
Post-Employment Benefits Payable (Note 10)		44
Advances from Others and Deferred Revenue		(7)
Other Liabilities (Note 11)		286
Total Other than Intragovernmental Liabilities		565
Total Liabilities		**129,959**
Commitments and Contingencies (Note 13)		
Net Position:		
Unexpended Appropriations		22,978
Cumulative Results of Operations		1,004
Total Net Position		**23,982**
Total Liabilities and Net Position	**$**	**153,941**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF NET COST
FOR THE YEAR ENDING SEPTEMBER 30, 2025
(In Millions)

		2025
Gross Costs (Note 14)		
Borrowing Interest Expense	$	3,890
Grants		4,205
Loan Cost Subsidies		424
Other		1,049
Total Gross Costs		**9,568**
Less Earned Revenues (Note 14)		3,918
Net Cost of Operations	**$**	**5,650**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDING SEPTEMBER 30, 2025
(In Millions)

		2025
Unexpended Appropriations:		
Beginning Balances	$	24,142
Adjustments:		
Beginning Balances, as Adjusted	$	**24,142**
Appropriations Received		6,726
Appropriations Transferred In/Out		(13)
Other Adjustments		(66)
Appropriations Used		(7,811)
Total Unexpended Appropriations	$	**22,978**
Cumulative Results of Operations:		
Beginning Balances	$	788
Adjustments:		
Beginning Balances, as Adjusted	**$**	**788**
Other Adjustments		(12)
Appropriations Used		7,811
Transfers In/Out Without Reimbursement		76
Imputed Financing (Note 15)		125
Other Financing Sources		(2,134)
Net Cost of Operations		(5,650)
Cumulative Results of Operations	**$**	**1,004**
Net Position	**$**	**23,982**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
COMBINED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEAR ENDING SEPTEMBER 30, 2025
(In Millions)

	2025	
	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net	$ 12,935	$ 7,834
Recoveries of Prior Year Unpaid Obligations	413	737
Other Changes in Unobligated Balance	(223)	(3,914)
Unobligated Balance from Prior Year Budget Authority, Net	13,125	4,657
Appropriations	6,729	0
Borrowing Authority (Note 16)	0	21,846
Contract Authority	0	0
Spending Authority from Offsetting Collections	632	11,645
Total Budgetary Resources	**$ 20,486**	**$ 38,148**
Status of Budgetary Resources:		
New Obligations and Upward Adjustments	$ 17,056	$ 27,841
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	3,296	10,306
Exempt from Apportionment, Unexpired Accounts	0	0
Unapportioned, Unexpired Accounts	5	1
Unexpired Unobligated Balance, End of Year	3,301	10,307
Expired Unobligated Balance, End of Year	129	0
Total Unobligated Balance, End of Year	3,430	10,307
Total Budgetary Resources	**$ 20,486**	**$ 38,148**
Outlays, Net:		
Outlays, Net (total)	7,824	
Distributed Offsetting Receipts	(1,819)	
Agency Outlays, Net	**$ 6,005**	
Disbursements, Net		**$ 4,181**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

RURAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2025 (In Millions)

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Rural Development prepares financial statements to report the financial position and results of operations of the United States Department of Agriculture (USDA) Rural Development mission area. In accordance with the Office of Management and Budget (OMB) *Circular A-136, Financial Reporting Requirements,* Rural Development ensures the information within these financial statements conform to Generally Accepted Accounting Principles (GAAP) for federal entities and Statements of Federal Financial Accounting Standards (SFFAS). Rural Development has prepared the financial statements, notes, and Required Supplemental Information using single-year format per *OMB Circular A-136*.

Reporting Entity

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Public Law No. 103-354, was signed into law and permitted the reorganization of the Department of Agriculture. This law reaffirmed Rural Development's statutory authority. Rural Development improves the economy and quality of life in rural America by providing funding for rural housing programs, rural utilities programs, and rural business programs within the USDA. Rural Development's mission offers loans, grants, and loan guarantees to support economic development and essential services such as housing, health care, first responder services and equipment, water, and electric and communications infrastructure.

Rural Development List of Major Programs

Rural Housing and Community Facilities Programs

- Single Family Housing Preservation Grants
- Mutual Self-Help Housing Technical Assistance Grants
- Single Family Housing Direct Loans & Loan Guarantees
- Single Family Housing Repair Loans & Grants
- Rural Housing Site Loans
- Multifamily Housing Direct Loans & Loan Guarantees
- Multifamily Housing Rental Assistance and Vouchers Program
- Multifamily Housing Preservation and Revitalization Loans & Grants
- Farm Labor Housing Loans & Grants
- Community Facilities Direct Loans, Loan Guarantees & Grants
- Community Facilities Technical Assistance and Training Grants
- Rural Community Development Initiative Grants
- Tribal College Initiative Grants

NOTE 1: Continued

Rural Utilities Programs

- Circuit Rider Loans & Grants
- Emergency Community Water Assistance Grants
- Grants for Rural and Native Alaskan Villages
- Individual Water and Wastewater Grants for Colonias
- Revolving Funds for Financing Water and Wastewater Projects
- Rural Decentralized Water Systems Grants
- Special Evaluation Assistance for Rural Communities and Households
- Solid Waste Management Grants
- Water and Environmental Disposal Direct Loans, Loan Guarantees & Grants
- Water and Waste Disposal Technical Assistance & Training Grants
- High Energy Cost Grants
- Distributed Generation Energy Project Financing
- Electric and Telecommunications Infrastructure Direct Loans & Loan Guarantees
- Empowering Rural America Program
- Energy Efficiency & Conservation Loans
- Energy Resource Conservation
- Powering Affordable Clean Energy
- Rural Energy Savings Program
- Rural Broadband Access Direct Loans & Loan Guarantees
- Community Connect and ReConnect Grants & Loans
- Distance Learning and Telemedicine Grants

Rural Business and Cooperative Programs

- Agriculture Innovation Center Program
- Business and Industry Loan Guarantees
- Delta Health Care Services Grants
- Fertilizer Production Expansion Program
- Food Supply Chain Loan Guarantees & Grants
- Intermediary Relending Program Loans
- Rural Business Development Grants
- Rural Business Investment Program
- Rural Cooperative Development Grants
- Rural Economic Development Loans & Grants
- Rural Innovation Stronger Economy Grant Program
- Rural Microentrepreneur Assistance Loans & Grants
- Socially Disadvantaged Groups Grants
- Value Added Producer Grants
- Advanced Biofuel Payment Program
- Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program Loan Guarantees
- Higher Blends Infrastructure Incentive Program
- Rural Energy Pilot Program Grant
- Rural Energy for America Program Loan Guarantees & Grants
- Timber Production Expansion Program

Basis of Accounting and Presentation

The accounting principles and standards applied in preparing the financial statements are in accordance with guidance from the Federal Accounting Standards Advisory Board (FASAB), the Director of OMB, and Comptroller General, which constitute generally accepted accounting principles for the Federal Government and its component entities. Additionally, Rural Development applies guidelines from the Federal Credit Reform Act of 1990 (Credit Reform) contained in the Omnibus Budget Reconciliation Act of 1990.

NOTE 1: Continued

Rural Development utilizes cash, accrual, and budgetary accounting basis while preparing the financial statements. The cash accounting basis recognizes Pre-Credit Reform and Credit Reform non-federal transactions, except for the accrual of interest related to borrower loans. Under the cash method, Rural Development recognizes revenues when cash is received and expenses when they are paid. Federal transactions utilize the accrual accounting basis. Budgetary accounting is also necessary to facilitate compliance with legal constraints and controls over the use of federal funds. Rural Development eliminates all significant interfund and intrafund balances and transactions in the consolidation of all financial statements with the exception of the Statement of Budgetary Resources, which is presented on a combined basis.

Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the Federal Government of cash or other assets in which non-federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary assets are not assets of Rural Development and, as such, are not recognized on the Balance Sheet (**Note 19**).

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Rural Development's largest estimates are a result of the Federal Credit Reform Act requirements. Actual results may differ from those estimates.

Revenue and Other Financing Sources

Revolving/Credit Funds:

Beginning in FY 1992, the Federal Credit Reform Act of 1990, as amended, contained in the Omnibus Budget Reconciliation Act of 1990, provided Credit Reform procedures that affected the financing of the revolving funds. Under Credit Reform, Rural Development receives an appropriation in the year the loan is made to cover the subsidy cost of providing the loan. The subsidy cost is defined as the estimated long-term cost to the government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs. Consequently, the implementation of Credit Reform has resulted in authorized appropriations, which provide for estimated future losses, as opposed to appropriations, which provided for reimbursement of past losses actually sustained prior to FY 1992. In addition to subsidy appropriations, the other sources of funding for the revolving funds include borrowings from Treasury and borrower loan repayments.

NOTE 1: Continued

General Funds

Rural Development receives appropriations from Congress on both an annual and multi-year basis to fund certain general funds and other expenses such as personnel, compensation, fringe benefits, rent, communication, utilities, other administrative expenses, and capital expenditures. The current budgetary process does not distinguish between capital and operating expenditures. For budgetary purposes, Rural Development recognizes both as a use of budgetary resources. For financial reporting purposes under accrual accounting, operating expenses are recognized in the current reporting period. Expenditures for capital and other long-term assets are capitalized and are not recognized as expenses until they are consumed during normal operations. Rural Development records appropriations for general fund activities as a financing source when expended. Unexpended appropriations are recorded as Net Position.

Fund Balance with Treasury

Treasury processes all receipts and disbursements and maintains the appropriate governmental bank accounts.

Lending Activities

Rural Development utilizes appropriations and borrowing authority to make direct loans. These loans represent actual cash disbursements to borrowers which require repayment.

Other lending activities include the guarantee of loans for Single Family Housing, Multi-Family Housing, Community, Business, and Utility programs. The term “guarantee” means “to guarantee the repayment of all or a part of the principal or interest on any debt obligation to eligible borrowers originated, held, and serviced by a private financial agency or other lender approved by the Secretary of Agriculture.”

Guaranteed lenders may sell guaranteed loans in the secondary market to an institution referred to as a holder. If the holder does not receive payment, Rural Development may purchase the loan. These loans are reported as direct loans by Rural Development.

Accounts Receivable

Accounts receivable are reduced to net realizable value by an allowance for uncollectible accounts. The adequacy of the allowance is determined based on past experience and age of outstanding balances.

Loans Receivable, Net and Loan Guarantee Liabilities

Rural Development establishes a loan receivable after funds have been disbursed. They are carried at their principal amount outstanding **(Note 6)** and accrue interest based on the contractual interest rate. When a loan becomes non-performing (in excess of 90 days delinquent or when borrowers enter into troubled debt restructuring arrangements), all interest previously accrued on the loan is reversed for financial reporting purposes, and interest income on the non-performing loan is then recognized only to the extent of the collections received. Rural Development reclassifies non-performing loans as performing and accrues interest when they become current or less than 90 days delinquent. In addition, interest income recognition subsequent to troubled debt restructuring arrangements is generally limited to net present value of the adjusted future cash flows.

NOTE 1: Continued

In an effort to more accurately portray the actual value of assets, Rural Development adopts the USDA policy of writing off, for financial reporting purposes, all loans that are two years or more delinquent. Present value and net realizable value are used to value the remaining interest and principal. **Note 6** provides additional information on the methods used for direct and guaranteed loans.

Property, Plant, and Equipment, Net

General Services Administration (GSA) provides the land, buildings, and equipment in the current operating environment. GSA charges a Standard Level User Charge that approximates the commercial rental rates for similar properties. Under Credit Reform, all equipment purchases are made through the Salaries and Expense Fund.

Rural Development accounts for the cost of internal use software in accordance with SFFAS No. 10, Accounting for Internal Use Software. SFFAS No. 10 requires the capitalization of the cost of internal use software whether it is commercial off-the-shelf, contractor-developed, or internally developed which solely meets internal or operational needs. As defined in SFFAS No. 6, Accounting for Property, Plant, and Equipment, Rural Development classifies internal use software as Property, Plant, and Equipment. The threshold for equipment is $100 thousand and internal use software is $500 thousand. Rural Development accounts for right-to-use lease assets and related amortization in accordance with SFFAS No. 54, Leases. See **Note 7** for further information.

Leases

Rural Development has contract agreements with the General Services Administration (GSA) for the office space Rural Development occupies. The agreements are a complex, concise statement of business terms governing the tenancy relationship between Rural Development and GSA. The agreements are not a lease, but rather a formal agreement between two signing parties. These agreements are considered intragovernmental, and the terms and conditions vary by agreement. For accounting purposes, the Agency recognizes the intragovernmental payments to GSA as an expense based on the payment provisions of the agreement and does not record a liability for future years' costs.

Rural Development has non-intragovernmental lease agreements. Stand-alone leases are where the Agency pays the lessor, a private landlord, directly for the space occupied based on the payment provisions of the agreement. Shared leases are contractual agreements where lease payments are made to a private landlord for office space occupied by multiple federal agencies. Rural Development, Farm Service Agency, and Natural Resources Conservation Service all share leases with one Agency acting as the lead lessee. Stand-alone and shared leases are defined as non-intragovernmental, long term, and vary by contract. Rural Development reports a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements pursuant to the accounting and disclosure requirements in SFFAS 54, Leases. Refer to **Note 12** for further information.

NOTE 1: Continued

Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid as the result of a transaction or event that has already occurred. However, no liability can be paid absent budget authority. Where an appropriation has not been enacted, liabilities are considered not covered by budgetary resources. There is no certainty that appropriations will be enacted.

Borrowings and Interest Payable to Treasury

Borrowings payable to Treasury result from the Secretary of Agriculture's authority to make and issue notes to the Secretary of Treasury for the purpose of discharging obligations. These funds make periodic principal and interest payments to Treasury in accordance with established agreements.

Pension and Other Employee Benefits

Rural Development recognizes pension and other employee benefits (primarily health care benefits) expense at the time employees' services are rendered. The expense is equal to the actuarial present value of benefits attributed by the pension plan's benefit formula, less the amount contributed by the employees. Rural Development recognizes an imputed cost for the difference between the expense and contributions made by and for employees.

Resources Payable to Treasury

Rural Development's Resources Payable to Treasury represent the Pre-Credit Reform fund's assets in excess of the fund's liabilities. Rural Development returns funds to Treasury after liquidating all the liabilities of these Pre-Credit Reform funds.

Downward Reestimates Payable to Treasury General Fund

Rural Development records the liability for downward reestimates in accordance with the Treasury General Fund Receipt (GFR) Account Guide which illustrates the accounting and reporting requirements for Non-Custodial Statement collections applicable to collections of downward reestimates of subsidy expense. As direct and/or guaranteed loan financing accounts collect more subsidy than necessary, to fund future net cash outflows, the applicable financing account must transfer the excess subsidy, with interest, to a designated Treasury GFR Account. As this transfer does not occur until the following year, these excess funds are included in the Fund Balance with Treasury and are considered non-entity assets.

Contingencies

Rural Development's mission area is a party in various legal actions and claims through the normal course of its operations. In the opinion of management and the USDA Office of the General Counsel, the ultimate resolution of these legal actions and claims will not materially affect the financial position or results of operations **(Note 13)**.

Unexpended Appropriations

Unexpended appropriations include the undelivered orders and unobligated balances of the general funds and the program accounts, which receive Congressional appropriations through the budgetary process. As appropriated funds incur obligations, Rural Development records the obligated amount as an undelivered order **(Note 16 D)**. An expenditure or an obligation

NOTE 1: Continued

cancellation reduces an undelivered order. Rural Development treats appropriated funds, which are not obligated, as unobligated amounts. At the end of the fiscal year, certain multi-year appropriations, which have unobligated balances, remain available for obligation in future periods. Rural Development returns unobligated appropriations to Treasury when their period of availability cancels.

Intragovernmental Financial Activities

Rural Development's mission area is an integral part of the operations of the USDA and may be subject to financial and managerial decisions and legislative requirements, which are beyond the control of the Agency's management. Consequently, day-to-day operations may not be conducted as they would if Rural Development was a separate and independent entity.

USDA provides mission areas with an allocation of departmental non-reimbursed appropriated costs to include in their financial statements. These costs affect the Statement of Net Cost and Statement of Changes in Net Position.

Rural Development does not stipulate that the financial statements report the mission area's proportionate share of the Federal deficit or of public borrowing, including interest. Financing for budget appropriations could derive from tax revenues or public borrowing or both. The ultimate source of this financing, whether from tax revenues or public borrowing, has not been specifically allocated to Rural Development.

Allocation Transfers

Rural Development is a party to allocation transfers with other federal agencies as both a transferring entity and a receiving entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account is created in the U.S. Treasury as a subset for tracking and reporting purposes. This account credits all allocation transfers of balances, and charges subsequent obligations and outlays incurred by the child entity as they execute the delegated activity on behalf of the parent entity. All financial activity related to allocation transfers appears in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. Rural Development allocates funds as the parent to the Small Business Administration and Department of Housing and Urban Development. Rural Development receives allocation transfers as the child from the Economic Development Administration, Appalachian Regional Commission, and Delta Regional Authority.

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2: NON-ENTITY ASSETS

Non-Entity Assets represent assets that are “NOT FOR USE” by Rural Development.

	FY 2025
Intragovernmental Assets:	
Fund Balance with Treasury	$ 0
Total Intragovernmental Assets	**0**
Cash and Other Monetary Assets	**112**
Total Non-Entity Assets	**112**
Total Entity Assets	153,829
Total Assets	**$ 153,941**

NOTE 3: FUND BALANCE WITH TREASURY

Fund Balance with Treasury represents the undisbursed account balances with Treasury as reported in the mission area's records.

The line titled Unobligated Balance consists of available and unavailable balances. Unavailable balances consist of restricted funds which are limited in their future use and are not apportioned for current use. These amounts represent the expired authority in annual year grant and program accounts (annual years prior to FY 2025) and are only available for prior year upward obligations. After the fifth year of expiration, Rural Development returns all funds to Treasury except those entities having extended authority to disburse. For FY 2025, there were approximately $109 million in expired funds.

Total unobligated balances and obligated balances not yet disbursed do not agree with the corresponding fund balance with Treasury amounts presented below because Rural Development borrows funds from Treasury at the time certain obligations are disbursed. Borrowing authority not yet converted to fund balance represents unobligated and obligated amounts recorded at fiscal yearend, which will be funded by future borrowings.

		FY 2025
Status of Fund Balance with Treasury (FBWT)		
Unobligated Balance	$	13,737
Obligated Balance Not Yet Disbursed		60,831
Borrowing Authority Not Yet Converted to Fund Balance		(37,915)
Authority Granted Prior to Credit Reform for Rental Assistance Grants		(9)
Temporary Reduction of New Budget Authority		0
Appropriation Purpose Fulfilled - Balance Not Available		0
Non-Budgetary Fund Balance with Treasury		0
Total	**$**	**36,644**

NOTE 4: CASH AND OTHER MONETARY ASSETS

Cash is comprised of funds related to the operation of the Rural Housing Escrow Program on deposit with Bank of America as of September 30, 2025.

		FY 2025
Cash and Other Monetary Assets		
Cash	$	112
Total Cash and Other Monetary Assets	**$**	**112**

NOTE 5: ACCOUNTS RECEIVABLE (A/R), NET

FY 2025		Accounts Receivable, Gross		Allowance for Uncollectible Accounts		Accounts Receivable, Net
Intragovernmental						
A/R Revenue, Refunds, Reimbursements		0		0		0
Total Intragovernmental Accounts Receivable	**$**	**0**	**$**	**0**	**$**	**0**
Other than Intragovernmental						
Audit Receivable		25		(25)		0
Total Accounts Receivable	**$**	**25**	**$**	**(25)**	**$**	**0**

Criminal Restitution

The outstanding balance for criminal restitution was $11 million for FY 2025.

NOTE 6: LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

Discussion of Credit Programs and Characteristics

Rural Development offers both direct and guaranteed loans administered through the Rural Housing Service, Rural Utilities Service, and Rural Business-Cooperative Service. Each agency has a unique mission to bring prosperity and opportunity to rural areas. The direct program has $116,495 million in outstanding credit program net receivables, and the guaranteed program has an outstanding guarantee of $108,347 million with a liability of $(528) million, as of September 30, 2025.

Each year, Rural Development programs create or preserve tens of thousands of rural jobs and provide or improve the quality of rural housing, business, and utilities. To leverage the impact of its programs, Rural Development is working with state, local, and Indian tribal governments, as well as private and non-profit organizations and user-owned cooperatives. Rural Development is able to provide certain loan servicing options to borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rates, acceptance of easements, and debt write-downs. The choice of servicing options depends on the loan program and the individual borrower.

Rural Development programs facilitate rural prosperity and economic development in rural America. Utilities programs provide capital for electric, telecommunications (including broadband, distance learning, and telemedicine) and water and environmental projects. These programs leverage federal funds with private capital to invest in rural infrastructure, technology, and development of human resources.

Business and Cooperative programs provide capital for building energy efficient and competitive businesses and sustainable cooperatives that can prosper in the global marketplace. In partnership with the private sector and community-based organizations, these programs deliver loans, loan guarantees, grants, and technical assistance to support rural businesses, and provide job training in rural areas through capital, training, education, and entrepreneurial skills in rural communities, agricultural markets, and the bio-based economy.

Housing and Community Facilities (CF) programs ensure rural families have access to safe, well-built, affordable homes and support an infrastructure needed to make rural communities attractive to small business owners, employees, and families. Housing and CF programs provide loans, grants, and rental assistance (RA) to rural low and very low-income residents for housing, and funding to support rural infrastructure and community services development. These programs are essential to rural America.

NOTE 6: Continued

Loan Program Characteristics

PROGRAM CHARACTERISTICS – DIRECT		
MAJOR PROGRAMS	**OBJECTIVE**	**TERMS/CONDITIONS**
Single Family Housing Loans (including Mutual Self-Help Loans)	Safe, well-built, affordable homes for very-low and low-income rural Americans.	Up to 100% of market value or cost. Loan term of 33/38 years. Applicant may be eligible for payment assistance (subsidy) on the loan.
Single Family Housing Repair Loans	To help very-low-income applicants remove health and safety hazards or repair their homes.	Loans up to $40,000 up to 20 years at 1%.
Rural Rental (Multi-Family) Housing Loans	Safe, well-built, affordable rental housing for very-low-income individuals and families.	Up to 100% of total development cost (non-profits); 97% (for-profit); 95% (for-profits with Low-Income Housing Tax Credits). 30-year term with up to 50-year amortization.
Community Facility Loans	Improve, develop, or finance essential community facilities for rural communities.	Up to 100% of Market value. Term is for useful life of the facility or equipment, the State statute, or 40 years.
Farm Labor Housing Loans	Safe, well-built affordable rental housing for farmworkers.	Up to 100% of total development cost. Up to 33 years to repay at 1% interest.
Rural Economic Development Loans	Finance economic development and job creation in rural areas.	Intermediary makes loans to for-profit or non-profit businesses and public bodies. Loans are 0% for 10 years.
Intermediary Relending Program Loans	Establish revolving funds for business facilities and community development projects.	The intermediary makes loans to business from its revolving loan fund on terms consistent with security offered. Intermediary pays 1% for 30 years.
Rural Microentrepreneur Assistance Program	Establish revolving funds to target assistance to small rural enterprises.	Maximum term is 20 years with a 2-year payment deferral.
Water and Environmental Loan	Provide infrastructure for rural areas.	Repayment period is a maximum of 40 years.
Electric Loans including Rural Energy Savings Program	Helps rural communities obtain affordable, high quality electric. Helps rural families and small businesses achieve cost savings through loans to qualified consumers to implement durable cost – effective energy efficiency measures.	Up to 20 years at 0% interest, up to 5% interest for relending to qualified end-users/consumers for up to 10 years; up to 4% of the loan total may be used for startup costs.
Telecommunication and Broadband Loans	Financing for construction, maintenance, improvement, and expansion of telephone service and broadband in rural areas.	Cost of money loans at fixed U.S. Treasury rate. Hardship Loans may be available at fixed interest rate for up to 20 years.

NOTE 6: Continued

PROGRAM CHARACTERISTICS – GUARANTEED		
MAJOR PROGRAMS	**OBJECTIVE**	**TERMS/CONDITIONS**
Single Family Housing Loan Guarantees	To assist low-to moderate-income applicants/household buy their homes by guaranteeing loans made by private lenders.	30-year fixed. The interest rate is negotiated between lender and borrower. Loans up to 100% of market value plus the amount of the up-front guarantee fee being financed.
Rural Rental (Multi-Family) Housing Loan Guarantees	Guarantees on loans to build or preserve affordable rental housing for very-low to moderate income tenants	At least 25-year term with fixed interest rate. Loan guarantees on up to 90% of the principal.
Community Facilities Loan Guarantees	Improve, develop, or finance essential community facilities for rural communities.	Up to 100% of market value. Term is for useful life of the facility or equipment, the State statute, or 40 years. Maximum grant 75% of project cost.
Business and Industry Loan Guarantees	Create jobs/stimulate rural economics by providing financial backing for rural business.	Lender and borrower negotiate terms based on use of guaranteed loan funds, the useful economic life of the assets being financed and those used as collateral, and the borrower's repayment ability. Loan term not to exceed 40 years. Interest rates are negotiated between lender and borrower.
Business and Industry Loan Guarantees CARES Act	Provides working capital to help rural businesses prevent, prepare for, or respond to the effects of the coronavirus pandemic.	Lender and borrower negotiate terms. Loan Guarantee is 90%. Up to 10 years loan term at which point the loan must be repaid. Interest payments can be deferred the first year. Principal payments can be deferred up to 3 years.
Rural Energy for America Program (REAP) Loan Guarantees	Provide assistance for energy efficiency improvements or to purchase a renewable energy system for operations.	Loan guarantees up to 75% of total eligible project cost. Loan term will not exceed 40 years. Interest rates are negotiated between the lender and borrower.
Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program Loan Guarantees	Loan guarantees to develop and construct commercial–scale biorefineries or retrofit facilities using eligible technology for the development of advanced biofuels.	90% (maximum) guarantee on loans up to $125 million; 80% (maximum) guarantee on loans less than $150 million but more than $125 million; 70% (maximum) guarantee on loans of $150 million but less than $200 million; 60% (maximum) guarantee on loans of $200 million up to $250 million.
Water and Environmental Loan Guarantees	Provide infrastructure for rural areas.	Lender and borrower negotiate terms based on use of guaranteed loan funds, the useful economic life of the assets being financed and those used as collateral, and the borrower's repayment ability. Loan term not to exceed 40 years. Interest rates are negotiated between lender and borrower.
Electric and Telecommunication Loan Guarantees	Help rural communities obtain affordable, high-quality electric and telecommunications services.	Maximum 35-year term 100% guaranteed
Food Supply Chain Loan Guarantees	Supports new investments in infrastructure for food aggregation, processing, manufacturing, storage, transportation, wholesaling, and distribution to increase capacity and create a more resilient, diverse and secure U.S. food supply chain.	Loan guarantees 90% for loans with fixed interest rates on the guaranteed portion. All other loans shall be guaranteed at 80%. Maximum loan amount is $40 million.
Timber Production Expansion Loan Guarantees	Provides financial support to qualified lenders whose loan applicants want to establish, reopen, expand, or improve a sawmill or other wood processing facility that process ecosystem restoration byproducts from USDA Forest Service National Forest System lands.	Loan guarantee is 90% . Interest rate negotiated between lender and borrower. with fixed or variable interest rates on the guaranteed portion. With RD conurrence, lender establishes and justifies the guaranteed loan term. Total amount of guaranteed loans must not exceed $25 million per borrower.

NOTE 6: Continued

Other Information Related to Credit Programs

Foreclosed Property and Loans Acquired

Property is acquired largely through foreclosure and voluntary conveyance. Rural Development records the market value of acquired properties associated with loans at the time of acquisition. The projected future cash flows associated with acquired properties are used in determining the related allowance (at present value).

For FY 2025, Rural Housing Program properties consist primarily of 503 rural single-family dwellings. The average holding period for single family housing properties in inventory was 17 months. The approximate number of borrowers for which foreclosure proceedings were in process at the end of FY 2025 was 14,028. Rural Development also allows leasing certain properties to eligible individuals.

Non-Performing Loans

Rural Development's loan interest income on non-performing receivables is calculated, but the recognition of revenue is deferred. Non-performing receivables are defined as receivables that are in arrears by 90 or more days.

Interest Credit

Approximately $12,699 million of the Rural Housing borrowers' unpaid loan principal, as of September 30, 2025, received interest credit (payment assistance). If those loans receiving interest credit had interest accrued at the full-unreduced rate, interest income would have been approximately $560 million.

Also, at the end of FY 2025, the Rural Development housing portfolio contained approximately 39,871 restructured loans. The outstanding unpaid principal balance was $2,922 million.

Modifications

A modification is any government action, different from actions in the baseline assumption, that affects the subsidy cost, such as a change in the terms of the loan contract. This includes the sale of loan assets and any action resulting from new legislation. Modifications may also occur from the exercise of administrative discretion under existing law that directly or indirectly alters the estimated cost of outstanding direct loans or loan guarantees. The cost of a modification is the difference between the net present value of the cash flows before and after the modification.

Multi-Family Housing direct loan modifications related to the revitalization program, which began in FY 2006, and continued through FY 2025. In this program, Rural Development provided restructured loans and grants to development owners to revitalize multi-family housing development projects in order to extend their affordable use without displacing tenants due to increased rent.

NOTE 6: Continued

Subsidy Rates and Reestimates

The Federal Credit Reform Act of 1990, as amended, and OMB Circular A-11 govern the proprietary and budgetary accounting treatment of direct and guaranteed loans. The long-term cost to the government for direct loans or loan guarantees is referred to as "subsidy cost." Under the Act, subsidy costs for all loans obligated post-1991 are recognized at the net present value of projected lifetime costs in the year the loan is disbursed. Subsidy costs are estimated annually. Components of subsidy include interest subsidies, defaults, fee offsets, and other cash flows. Reestimates are revisions of the subsidy cost estimate of a cohort (or risk category) based on information about the actual performance and/or estimated changes in future cash flows of the cohort. A cohort refers to the fiscal year of obligation for direct loan obligations, or loan guarantee commitments of a specific program.

In FY 2025, Rural Development direct and guaranteed loan programs recorded prior year actual budgetary reestimates and current year activity projected reestimates for material programs. Defaults, fees, collections, and economic factors are a few of the significant assumptions used in reestimating subsidy cost.

Based on a sensitivity analysis conducted for each program, the difference between the budgeted and actual interest for both borrower and Treasury remain the key components of the subsidy formulation and reestimate rates of Rural Development direct programs. Rural Development uses the government-wide interest rate projections provided by OMB within its calculations and analysis.

Rural Development's cash flow models are tailored for specific programs based on unique program characteristics. Specific models developed and utilized include an econometric model for Guaranteed Single-Family Housing and Guaranteed Business and Industry, and historical weighted average models for Direct Single-Family Housing, Multi-Family Housing, Guaranteed Electric Underwriters, Electric Modifications, and a direct loan historical model that covers the remaining portfolio with similar characteristics. A direct loan is a disbursement of funds by the government to a non-federal borrower under a contract that requires the repayment of such funds with or without interest. A loan guarantee is an assurance that the payment of all or part of the principal or interest on any debt obligation of a non-federal borrower to a non-federal lender will be received by the non-federal lender.

Valuation Methodology for Direct Loans and Loan Guarantees

For direct loans made pre-1992, Rural Development uses the Net Realizable Value methodology to value the remaining interest and principal portfolio. The Net Realizable Value methodology uses the average rate of the last five years of write-offs to determine the value of the remaining interest and principal portfolio. Direct loans and loan guarantees made post-1991 are governed by the Federal Credit Reform Act of 1990, as amended. The Act requires agencies to estimate the cost of direct loans and loan guarantees at net present value of future cash flows.

Additionally, the net present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct loans and loan guarantees are recognized as a cost in the year the direct loan or guaranteed loan is disbursed.

NOTE 6: Continued

DIRECT LOANS

Direct Loan Obligations

Direct loan obligations are binding agreements by a federal agency to make a direct loan when specified conditions are fulfilled by the borrower. **Tables 1,2, and 7** illustrate the overall composition of the Rural Development loan portfolio by mission area and loan program for FY 2025. Loans Receivable, Net balances for Direct Loans at the end of FY 2025 were $115,735 million. Defaulted Guaranteed Loans were $760 million.

The Omnibus Budget Act of 1987, Section 313, authorized the accumulation of Cushion of Credit (CoC) in the Revolving Fund. Borrowers may make advance payments up to their liquidating and financing total Rural Utilities Service debt. To accurately represent the value of Electric and Telecommunication assets, Rural Development reports the CoC amounts as a separate line item in **Table 1 and Table 2**, under the Direct Loans Receivables Section. The CoC balance at the end of FY 2025 for direct loans made Pre-1992 was immaterial.

TABLE 1: DIRECT LOANS OBLIGATED PRIOR TO FY 1992

FY 2025	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [1]	Value of Assets
Direct Loans					
Obligated Pre-1992					
Housing	$ 4,257	$ 830	$ 7	$ (769)	$ 4,325
Community Facility	3	0	0	0	3
Electric	37	1	0	0	38
Telecommunication	10	0	0	0	10
Water and Environmental	89	1	0	0	90
Intermediary Relending	0	0	0	0	0
Pre-1992 Total	**4,396**	**832**	**7**	**(769)**	**4,466**
Cushion of Credit Advance Payments	0	0	0	0	0
Total Direct Loans Receivable	**4,396**	**832**	**7**	**(769)**	**4,466**

[1] The allowance for Direct Loans Obligated Pre-1992 are valued at Net Realizable value.

NOTE 6: Continued

TABLE 2: DIRECT LOANS OBLIGATED POST-1991

FY 2025	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [2]	Value of Assets
Direct Loans					
Obligated Post-1991					
Housing	18,409	574	43	(2,361)	16,665
Community Facility	13,048	79	0	(475)	12,652
Electric	62,531	45	0	2,228	64,804
Telecommunication	2,132	6	0	28	2,166
Water and Environmental	14,842	114	0	(280)	14,676
Intermediary Relending	267	1	0	(34)	234
Business and Industry	38	0	0	(3)	35
Economic Development	251	0	0	(23)	228
Post-1991 Total	**111,518**	**819**	**43**	**(920)**	**111,460**
Cushion of Credit Advance Payments	(191)	0	0	0	(191)
Total Direct Loans Receivable	**111,327**	**819**	**43**	**(920)**	**111,269**

[2] The allowance for Direct Loans Obligated Post-1991 are valued at Net Present value.

NOTE 6: Continued

Subsidy Cost Allowance

The net present value of direct loans obligated post-1991 comprises the outstanding balance of the loans adjusted by the allowance for subsidy for these loans. **Table 3** shows the reconciliation of subsidy cost allowance balances from FY 2025. The subsidy cost allowance in FY 2025 was $1,770 million.

TABLE 3: SCHEDULE FOR RECONCILING SUBSIDY COST ALLOWANCE BALANCES (POST-1991 DIRECT LOANS)

Beginning Balance, Changes, and Ending Balance		**FY 2025**
Beginning Balance of the Subsidy Cost Allowance	$	2,327
Add subsidy expense for direct loans disbursed during the year by component:		
Interest rate differential costs		(54)
Default costs (net of recoveries)		166
Fees and other collections		(6)
Other subsidy costs		(154)
Total of the above subsidy expense components		(48)
Adjustments:		
Loan modifications		0
Fees received		89
Loans written off		(298)
Subsidy allowance amortization		(1)
Other		108
Ending balance of the subsidy cost allowance before reestimates		**2,177**
Add or subtract reestimates by component:		
Interest rate reestimates		14
Technical/default reestimates		(421)
Total of the above reestimate components		(407)
Ending Balance of the Subsidy Cost Allowance	**$**	**1,770**

NOTE 6: Continued

Direct Loan Subsidy Expense

Direct loan subsidy expense is a component of the subsidy cost allowance. The total direct loan subsidy expense for FY 2025 is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. **Table 4** illustrates the composition of total subsidy expense, including reestimates, for FY 2025 by program. Total direct loan subsidy expense in FY 2025 was $(455) million. Reestimate variances are discussed in the Analysis of Direct Loans.

TABLE 4: SUBSIDY EXPENSE FOR DIRECT LOAN PROGRAMS BY COMPONENT

	Subsidy Expense for New Direct Loans Disbursed					Modifications and Reestimates				
	Interest Differential	Defaults	Fees and Other Collections	Other	Total	Total Modifications	Interest Rate	Technical/ Default	Total	GRAND TOTAL
FY 2025										
Housing	$ 100	40	$ 0	$ (13)	$ 127	$ 0	$ 2	$ (6)	$ (4)	$ **123**
Community Facility	(126)	91	0	14	(21)	0	0	189	189	**168**
Electric	(82)	5	(6)	(101)	(184)	0	8	(856)	(848)	**(1,032)**
Telecommunications	0	28	0	0	28	0	0	(82)	(82)	**(54)**
Water & Environmental	42	1	0	(54)	(11)	0	4	334	338	**327**
Intermediary Relending	2	1	0	0	3	0	0	(4)	(4)	**(1)**
Business and Industry	0	0	0	0	0	0	0	0	0	**0**
Economic Development	10	0	0	0	10	0	0	4	4	**14**
Total Subsidy Expense, Direct	**$ (54)**	**166**	**(6)**	**(154)**	**(48)**	**0**	**14**	**(421)**	**(407)**	**(455)**

NOTE 6: Continued

Direct Loans Disbursed

Volume distribution between programs is shown in **Table 5**. Direct loans disbursed in FY 2025 was $9,511 million.

TABLE 5: TOTAL AMOUNT OF DIRECT LOANS DISBURSED (POST-1991)

		FY 2025
Housing	$	1,139
Community Facility		1,075
Electric		6,023
Telecommunications		108
Water and Environmental		1,095
Intermediary Relending		12
Business and Industry		3
Economic Development		56
Total Direct Loans Disbursed	**$**	**9,511**

NOTE 6: Continued

Subsidy Rates for Direct Loans

Subsidy rates are used to compute each year's subsidy expense. **Table 6** has the direct loan subsidy rates for FY 2025 as provided in the Federal Credit Supplement to the Budget of the U.S. Government. The subsidy rates disclosed in **Table 6** pertain only to the current year's cohort. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for loans reported in the current year could result from disbursements of loans from current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

TABLE 6: SUBSIDY RATES FOR DIRECT LOANS BY PROGRAM AND COMPONENT (PERCENTAGE)

FY 2025	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Section 502 Single Family Housing	8.17	4.01	0.00	-0.38	11.80
Section 504 Housing Repair	26.82	-0.03	0.00	-5.39	21.40
Section 514 Farm Labor Housing	39.25	0.10	0.00	-0.59	38.76
Section 515 Multi-Family Housing	40.27	0.88	0.00	-1.56	39.59
Section 524 Site Development	5.46	2.71	0.00	0.55	8.72
Multi-Family Housing Revitalization Second	70.82	0.29	0.00	-0.10	71.01
Multi-Family Revitalization Zero	59.50	0.22	0.00	-0.21	59.51
Native American Single Family Relending Pilot	44.44	6.42	0.00	-1.48	49.38
Community Facilities	-1.38	3.02	0.00	-0.52	1.12
Broadband Treasury Rate	0.38	13.74	0.00	-0.02	14.10
Water and Environmental	16.76	0.10	0.00	-6.52	10.34
Water and Waste 1%	45.04	0.08	0.00	-13.82	31.30
Treasury Electric Loans	0.00	0.00	0.00	-1.61	-1.61
FFB Electric	-3.47	0.00	0.00	-0.83	-4.30
Treasury Telecommunications	0.34	0.45	0.00	0.32	1.11
Intermediary Relending Program	35.09	0.96	0.00	-1.99	34.06
Rural Economic Development	20.66	0.00	0.00	-0.85	19.81
Rural Microenterprise	23.24	2.64	0.00	-4.09	21.79
Electric Underwriting	0.00	0.60	-2.45	-0.39	-2.24
Reconnect Direct Loans	19.49	8.57	0.00	-2.31	25.75
Reconnect Grant Assisted Loans	0.00	8.57	0.00	0.39	8.96
Rural Energy Savings Program	19.98	0.55	0.00	-0.37	20.16
IRA Section 22001	37.97	0.00	0.00	-0.29	37.68
IRA Section 22004 Blended	18.40	0.00	0.00	-0.96	17.44
IRA Section 22004 Zero	39.30	0.00	0.00	-1.60	37.70
IRA Section 22004 Subsidized	1.50	0.00	0.00	-0.51	0.99

NOTE 6: Continued

Analysis of Direct Loans

The following is a discussion of events and changes that had significant and measurable effect on the subsidy expense, reestimates, and allowances.

RURAL HOUSING PROGRAMS

The Direct Community Facility program had an overall upward reestimate of $189 million. The main driver of the upward reestimate was the increase in the Single Effective Rates in cohort years 2021 and 2022 due to updated historical cash flows. Another small component of the upward reestimate was the increase in defaults in cohort year 2016.

RURAL UTILITIES PROGRAMS

The Direct Electric program had an overall downward reestimate of $(848) million, which is mostly comprised of a $(246) million downward reestimate in the Federal Financing Bank (FFB) program, a $(683) million downward reestimate in the FFB Underwriter program, a $6 million upward reestimate in the FFB Note Extension program, and a $92 million upward reestimate in the Direct Electric Treasury program. The main driver for the downward reestimate in the Direct Electric FFB program was the increase in interest payments, accounts receivable inflows, and fees received due to updated data for FY 2024. The main driver for the downward reestimate in the FFB Underwriter program was an additional year of actual cash flow data added to the model which increased the prepayment curve, in addition the curve was extended from 26 periods to 34 periods.

The Direct Water and Waste Disposal program had an overall upward reestimate of $338 million. The main drivers for the upward reestimate were the increase in principal prepayments due to updated historical cash flows, which resulted in lower forecasted scheduled principal and interest payments. As well as, the increase in the Single Effective Rates contributed to the upward reestimate.

NOTE 6: Continued

GUARANTEED LOANS

Rural Development offers guaranteed loan products, which are administered in coordination with conventional agricultural lenders, for up to 90 percent of the principal loan amount, with the exception of the Electric Guarantees, which are guaranteed at 100 percent. Borrowers interested in guaranteed loans must apply through a conventional lender, which arranges for the guarantee with the Agency. Guaranteed loans are disclosed on the balance sheet in two ways: estimated losses on loan credit guarantees, which are valued and carried as a liability; and guaranteed loans purchased from third party holders, which are carried at net present value in loans receivable and related foreclosed property, net.

TABLE 7: DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

FY 2025	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [3]	Value of Assets
Defaulted Guaranteed Loans					
Post-1991					
Housing	788	0	0	(727)	61
Community Facility	7	0	0	5	12
Business and Industry	815	0	0	(128)	687
Total Defaulted Guaranteed Loans	**$ 1,610**	**$ 0**	**$ 0**	**$ (850)**	**$ 760**

[3] The allowance for Defaulted Guaranteed Loans Obligated Post-1991 are valued at Net Present value.

NOTE 6: Continued

Loan Guarantees Outstanding

Table 8 shows the outstanding balances by loan program. At the end of FY 2025, there were $122,948 million in outstanding principal (face value) and $108,347 million in outstanding principal (guaranteed).

TABLE 8: GUARANTEED LOANS OUTSTANDING

		Post-1991 Outstanding Principal Face Value		Post-1991 Outstanding Principal Guaranteed
FY 2025				
Housing	$	108,729	$	97,822
Community Facility		1,267		1,091
Electric		104		104
Water and Environmental		123		106
Business and Industry		12,725		9,224
Total Guaranteed Loans Outstanding	**$**	**122,948**	**$**	**108,347**

NOTE 6: Continued

Liability for Loan Guarantees

Liability for loan guarantees consists of net cash flows (outflows less inflows) paid or to be paid by the entity as a result of the loan guarantees. **Table 8a** shows the loan guarantee liability. **Table 8b** shows the liability reconciliation for post-1991 guarantees.

TABLE 8a: LIABILITY FOR LOAN GUARANTEES (PRESENT VALUE)

		Liabilities for Loan Guarantees on Post - 1991 Guarantees Present Value
FY 2025		
Liability for Loan Guarantees		
Housing	$	(1,192)
Community Facility		20
Electric		0
Water and Environmental		1
Business and Industry		643
Total Liabilities for Loan Guarantees	**$**	**(528)**

NOTE 6: Continued

The Agency continued to process claim payments to lenders in FY 2025 related to the Guaranteed Single-Family Housing Program.

TABLE 8b: SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY BALANCES (POST-1991 LOAN GUARANTEES)

Beginning Balance, Changes, and Ending Balance		**FY 2025**
Beginning Balance of the Loan Guarantee Liability	$	(1,702)
Less Claim Payments to Lenders		(191)
Add Fees Received		538
Less Interest Supplements Paid		(7)
Add Foreclosed Property and Loans Acquired		57
Add Subsidy Expense		19
Less Negative Subsidy Payments		(49)
Add Upward Reestimates		909
Less Downward Reestimates		0
Loan Guarantee Modifications		0
Other		(102)
Ending Balance of the Loan Guarantee Liabilities	$	**(528)**

NOTE 6: Continued

Guaranteed Loan Subsidy Expense

Total guaranteed loan subsidy expense is a combination of subsidy expense for new guaranteed loans disbursed in the current year and the interest rate and technical reestimates to existing loans. **Table 9** illustrates the breakdown of total subsidy expense for FY 2025 by loan program. Total guaranteed loan subsidy expense in FY 2025 was $879 million.

TABLE 9: SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

	Subsidy Expense for New Guaranteed Loans Disbursed					Modifications and Reestimates				
	Interest Supplement	Defaults	Fees and Other Collections	Other	Total	Total Modification	Interest Rate	Technical	Total	GRAND TOTAL
FY 2025										
Housing	$ 0	$ 222	(269)	$ 0	$ (47)	$ 0	$ 0	$ 719	$ 719	$ 672
Community Facility	0	3	(3)	0	0	0	0	2	2	2
Electric	0	0	0	0	0	0	0	0	0	0
Water and Environmental	0	0	0	0	0	0	0	0	0	0
Business and Industry	0	96	(79)	0	17	0	(1)	189	188	205
Total Subsidy Expense, Guaranteed	**$ 0**	**321**	**(351)**	**0**	**(30)**	**0**	**(1)**	**910**	**909**	**879**

NOTE 6: Continued

Guaranteed Loans Disbursed

Guaranteed loan volume face value was $10,020 million in FY 2025 with the Housing and Business and Industry loan programs being the largest contributors.

TABLE 10: NEW GUARANTEED LOANS DISBURSED

	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
FY 2025		
Housing	$ 8,162	$ 7,346
Community Facility	92	76
Water and Environmental	8	7
Business and Industry	1,758	1,365
Total Guaranteed Loans Disbursed	**$ 10,020**	**$ 8,794**

Subsidy Rates for Loan Guarantees

Subsidy rates are used to compute each year's subsidy expense. The subsidy rates disclosed in **Table 11** pertain only to the FY 2025 cohort as provided in the Federal Credit Supplement to the Budget of the U.S. Government. These rates cannot be applied to the guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for loans reported in the current year could result from disbursements of loans from current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

TABLE 11: SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT (PERCENTAGE)

FY 2025	Defaults	Fees and Other Collections	Other	Total
Section 502 Single Family Housing	2.70	-3.24	0.00	-0.54
Section 538 Multi-Family Housing	3.06	-3.92	0.00	-0.86
Community Facilities	2.72	-3.89	0.00	-1.17
Business and Industry	4.90	-4.70	0.00	0.20
Water and Environmental	0.68	-0.88	0.00	-0.20
Renewable Energy	1.40	-2.28	0.00	-0.88
Biorefinery (Section 9003 Loan Guarantees)	37.35	-4.57	0.18	32.96
Timber Production Expansion Guarantees	7.54	0.00	0.00	7.54

NOTE 6: Continued

Analysis of Guaranteed Loans

The following is a discussion of events and changes that had significant and measurable effect on the subsidy expense, reestimates, and allowances.

RURAL HOUSING PROGRAMS

The Housing program had an overall upward reestimate of $719 million. The majority of the upward reestimate is attributed to the Guaranteed Single-Family Housing Section 502 Program which had an overall upward reestimate of $752.9 million. The Guaranteed Single-Family Housing Section 502 Program total upward reestimate is the result of an upward reestimate of $725 million in the Section 502 Blended component of the program and an upward reestimate of $28 million in the Section 502 Purchase component. The majority of the total reestimate is explained by the Guaranteed Single-Family Housing Section 502 Blended component's change, which is attributed to an increase in forecasted default claims, as well as, a decrease in forecasted annual fee payments. These changes were driven by updating historical cash flows for FY 2024, which resulted in actual loss settlements paid being significantly higher than expected.

RURAL BUSINESS AND INDUSTRY PROGRAMS

The Guaranteed Business and Industry had an overall upward reestimate of $188 million. The majority of the upward reestimate was due to an increase in loss settlements paid as a result of updated historical cash flows, therefore this also resulted in a decrease of forecasted defaults.

NOTE 6: Continued

Administrative Expenses

Consistent with the Federal Credit Reform Act of 1990, as amended, subsidy cash flows exclude direct federal administrative expenses. Administrative expenses are shown in **Table 12**.

TABLE 12: ADMINISTRATIVE EXPENSES

		FY 2025
Direct Loan Programs		311
Total	**$**	**311**
Guaranteed Loan Programs		551
Total	**$**	**551**

NOTE 6: Continued

Loans Receivable

This table reconciles the beginning and ending balances of loans receivable, net, for direct loans and defaulted guaranteed loans.

TABLE 13: LOANS RECEIVABLE, NET

		FY 2025
Beginning Balance of Loans Receivable, Net	$	**110,645**
Add Loan Disbursements		10,063
Add Defaulted Loan Claim Payments		0
Less Principal and Interest Payments Received		4,435
Less Fees Received		90
Less Claim Payments Received		0
Add Interest Accruals		0
Add Foreclosed Property Acquired		0
Less Sale of Foreclosed Property		23
Less Loans Written Off		150
Add Reduction in Subsidy Allowance for Loans Written Off		0
Less Interest Revenue on Uninvested Funds		0
Add Interest Expense on Entity Borrowings		0
Less Subsidy Expense		222
Add Negative Subsidy Payments		270
Less Upward Reestimates		1,194
Add Downward Reestimates		1,601
Other Increase/(Decrease) to the Subsidy Allowance		37
Other changes to the loan modifications		(2)
Allowance for Loan and Interest Loss Adjustments		(27)
Other Non-Cash Reconciling Items		22
Ending Balance of Loans Receivable, Net	$	**116,495**

NOTE 7: PROPERTY, PLANT, AND EQUIPMENT, NET

This equipment generally represents computer hardware, software, and other office equipment used in the Rural Development mission area's network of offices. Refer to **Note 1** for further information on Property, Plant, and Equipment, Net and **Note 12** for further information on leases.

CLASSES	Cost	Accumulated Depreciation	Book Value	Estimated Useful Life[4]	Method of Depreciation[5]	Capitalization Threshold
FY 2025						
Personal Property						
Equipment	$ 2	$ (2)	0	5-20	SL	$ 100,000
Internal Use Software	323	(202)	121	5-8	SL	$ 500,000
Internal Use Software in Development	11	0	11		SL	$ 500,000
Lessee Right-To-Use Lease Asset	44	(14)	30	2-20	SL	$ 100,000
Total	**$ 380**	**$ (218)**	**$ 162**			

Net Property Plant and Equipment	
Balance Beginning of Year	**$ 154**
CY Right-to-use Lease Assets, CY activity	(4)
CY Amortization of Right-To-Use Lessee Asset	(7)
Capitalized Acquisitions	20
Depreciation Expense	(1)
Balance at the End of Year	**$ 162**

[4] Range of Service Life[5] SL - Straight Line

NOTE 8: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2025
Intragovernmental	
Unfunded Federal Employees Compensation Act (FECA) Liability	$ 6
Total Intragovernmental	**6**
Other than Intragovernmental	
Federal Employee Benefits Payable	49
Post-Employment Benefits Payable	26
Contingent Liability	75
Unfunded Lessee Lease Liabilities	21
Other Liability	139
Total Other than Intragovernmental	**310**
Total Liabilities Not Covered by Budgetary Resources[6]	**316**
Total Liabilities Covered by Budgetary Resources	129,650
Total Liabilities Not Requiring Budgetary Resources[7]	(7)
Total Liabilities	**$ 129,959**

[6] Liabilities not covered by budgetary resources represent liabilities for which Congressional action is required before budgetary resources can be provided.
[7] Liabilities not requiring budgetary resources represent liabilities for clearing accounts and liabilities for non-fiduciary deposit funds for which Congressional action is not required.

NOTE 9: DEBT

FY 2025		Beginning Balance	Net Borrowing	Ending Balance
Source of Debt				
Debt Owed to Treasury other than FFB	$	62,170 $	6,170 $	68,340
Debt Owed to the Federal Financing Bank		54,372	537	54,909
Total Debt	**$**	**116,542**	**6,707**	**123,249**

Borrowing from the Federal Financing Bank (FFB) occurs as part of the loans executed directly between the borrower and FFB with Rural Development unconditionally guaranteeing repayment.

Rural Development repays borrowings made to finance loans directly between the borrower and FFB. These borrowings mature as the related group of loans become due. Interest rates on the related group of loans are equal to interest rates on FFB borrowings, except in those situations in which an FFB-funded loan is restructured and the terms of the loan are modified.

Supplemental Information Associated with Debt

		FY 2025
Interest Payable, Federal		
Federal Financing Bank	$	43
Total	**$**	**43**

These interest payable amounts associated with borrowings from Treasury and the FFB are included in the table at the beginning of this note. Interest payments are due to FFB on September 30th each year.

		FY 2025
Interest Expense, Federal		
Federal Financing Bank	$	1,626
Treasury		2,264
Total	**$**	**3,890**

NOTE 10: FEDERAL EMPLOYEE BENEFITS PAYABLE

		FY 2025
Other than Intragovernmental		
Accrued Funded Payroll and Leave	$	32
Employer Contributions and Payroll Taxes Payable		0
Unfunded Leave		49
Actuarial FECA Liability		26
Total Federal Employee Benefits Payable	**$**	**107**

NOTE 11: OTHER LIABILITIES

	Current	Non-Current	Total
FY 2025			
Intragovernmental Liabilities:			
Other Liabilities With Related Budgetary Obligations	$ 3	$ 0	$ 3
Employer Contributions & Payroll Taxes Payable	6	0	6
Unfunded FECA Liability	3	3	6
Liability for Deposit Fund & Suspense Accounts	0	0	0
Other Liabilities	0	0	0
Total Intragovernmental Liabilities	**$ 12**	**$ 3**	**$ 15**
Other than Intragovernmental Liabilities:			
Other Liabilities With Related Budgetary Obligations	42	0	42
Accrued Funded Payroll & Leave	0	0	0
Liability for Advances & Prepayments	0	0	0
Liability for Deposit Fund & Suspense Accounts	0	0	0
Contingent Liabilities	75	0	75
Lessee Lease Liability	9	0	9
Unfunded Lessee Lease Liability	21	0	21
Other Liabilities Without Related Budgetary Obligations	112	27	139
Total Other than Intragovernmental Liabilities	**$ 259**	**$ 27**	**$ 286**
Total Other Liabilities	**$ 271**	**$ 30**	**$ 301**

These liabilities are or will be covered by Budgetary Resources. For additional information on Lease Liabilities refer to **Note 12**.

NOTE 12: LEASES

The below table discloses Rural Development's intragovernmental and non-federal lease expense by major asset category as well as future lease payments for the first five years and in five-year increments thereafter, pursuant to SFFAS 54, Leases. Refer to **Note 1** regarding the implementation of SFFAS 54 and **Note 7** and **Note 11** for additional information on leases.

FY 2025

Intragovernmental:	
Lease expense:	
Land and Buildings	$ 17
Machinery and Equipment	0
Total	**$ 17**

Other than Intragovernmental:	
Lease assets:	
Land and Buildings	$ 44
Machinery and Equipment	0
Accumulated amortization	(14)
Total	**$ 30**

FY	Principal	Interest	Total
2026	$ 8	$ 1	$ 9
2027	7	1	8
2028	4	1	5
2029	2	1	3
2030	1	1	2
2031-35	5	1	6
2036-40	2	0	2
2041-45	1	0	1
After 20 Years	0	0	0
Total	**$ 30**	**$ 6**	**$ 36**

Lease expense:	
Amortization	$ 7
Interest	0
Other	15
Total	**$ 22**

NOTE 13: COMMITMENTS AND CONTINGENCIES

Commitments

Rural Development has commitments under cancelable leases for office space. GSA leases the majority of buildings in which Rural Development operates. GSA charges rent which is intended to approximate commercial rental rates.

As related to commitments to extend loan guarantees as of September 30, 2025, there were approximately $3,880 million.

Contingencies

Rural Development is subject to various claims and contingencies related to lawsuits. Rural Development does not accrue amounts in the financial statements for claims where the amount or probability of judgment is uncertain.

		Estimated Range of Loss	
	Accrued Liabilities	**Lower End**	**Upper End**
FY 2025			
Legal Contingencies			
Probable	$ 75	$ 75	$ 75
Reasonably Possible	$ 0	$ 0	$ 0

The following contingency-related lawsuits are reportable for the fiscal year ending on September 30, 2025:

Rural Development is actively involved in restructuring negotiations.

Multiple breach of contract cases regarding Housing Section 515 loan prepayments were deemed probable in FY 2014. As of September 2025, the Office of the General Counsel has made the determination that a $75 million unfavorable outcome is probable. There has been no change in the amount from FY 2024. The amount of $75 million has been accrued to the financial statements.

Additionally, a class action complaint was filed alleging entitlement to hazard pay and environmental differential pay due to work performed within the Goodfellow complex in Saint Louis, MO. In FY 2024, the likelihood of loss was remote, but the likelihood of loss changed to probable in FY 2025. The amount of $250,000 has been accrued to the financial statements.

NOTE 14: SUPPORTING SCHEDULE FOR STATEMENT OF NET COST

	Mortgage Credit	Housing Assistance	Area & Regional Development	Energy Supply & Conservation	Agricultural Research	Farm Income Stabilization	Conservation & Land Management	Consolidated Total
FY 2025								
Gross Costs:								
Borrowing Interest Expense	$ 741	$ 0	$ 931	$ 2,218	$ 0	$ 0	$ 0	$ 3,890
Grants	12	1,907	2,095	0	128	63	0	4,205
Loan Cost Subsidies	795	0	682	(1,052)	0	(4)	3	424
Other	715	26	213	96	0	(1)	0	1,049
Total Gross Costs	**2,263**	**1,933**	**3,921**	**1,262**	**128**	**58**	**3**	**9,568**
Less:								
Earned Revenues	726	1	963	2,229	0	(1)	0	3,918
Net Cost of Operations	**$ 1,537**	**1,932**	**2,958**	**(967)**	**128**	**59**	**3**	**$ 5,650**

NOTE 14: Continued

Other Disclosures

<table>
<tr><th>FUNCTION LEVEL TITLE</th><th>SUBFUNCTION LEVEL TITLE</th><th>BUDGET SUBFUNCTION CODE</th><th>ACTIVITY INCLUDED IN FINANCIAL STATEMENTS (where applicable)</th><th>LOAN/GRANT PROGRAMS INCLUDED IN BUDGET SUBFUNCTION CODE</th></tr>
<tr><td>Commerce & Housing</td><td>Mortgage Credit</td><td>371</td><td>Rural Housing Programs</td><td>• Single Family Housing (Direct & Guaranteed)
• Multi-Family Housing (Direct & Guaranteed)</td></tr>
<tr><td>Income Security</td><td>Housing Assistance</td><td>604</td><td>Rural Housing Programs</td><td>• Domestic Farm Labor Grants
• Very Low-Income Housing Repair Grants
• Construction Defects
• Rental Assistance Program
• Other Housing Grants</td></tr>
<tr><td rowspan="3">Community & Regional Development</td><td rowspan="3">Community Development Area & Regional Development Disaster Relief and Insurance</td><td rowspan="3">451
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453</td><td>Rural Housing Programs</td><td>• Rural Community Facility (Direct & Guaranteed)</td></tr>
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• Rural Energy for America Program
• Disaster Assistance Fund
• Healthy Food Initiative
• Energy Assistance Payments
• Intermediary Relending</td></tr>
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<tr><td>Natural Resources and Environment</td><td>Conservation & Land Management</td><td>302</td><td>Forest Service</td><td>• Timber Production Expansion</td></tr>
</table>

USDA and the individual agencies preparing their own financial statements are required to prepare the Statement of Net Cost at the subfunction level. The Statement of Net Cost, as prepared by Treasury, shows these activities at their function level.

NOTE 14: Continued

Credit Reform

The amount of subsidy expense on direct loans made post-1991 equals the present value of estimated cash outflows over the life of the loan less the present value of cash inflows, discounted at the interest rate of marketable Treasury securities within a similar maturity term. A major component of subsidy expense is the interest subsidy cost/interest differential. This is defined as the excess of the amount of direct loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable Treasury rate. One of the components of interest subsidy cost/interest differential is interest revenue. This interest revenue is earned from both federal and non-federal sources. For further discussions of revenue and present value refer to **Notes 1** and **6**.

Exchange Transactions with Non-Federal Sources

When a new direct loan program becomes a reality, the applicable public law normally addresses the interest rates to be charged to borrowers. Public laws can be specific, state a minimum and/or maximum rate, or be in general terms. The following general discussion about borrower interest rates is in relation to loan programs within each of our mission areas.

Rural Housing Programs

The two largest loan programs (Single Family Housing and Rural Rental Housing) have a statutory basis for rates that are not less than the current average market yield on outstanding U.S. marketable obligations of comparable maturities. These rates have been determined to be the 25-year Treasury rates.

Rural Business-Cooperative Program

The main loan program (Business and Industry) has a statutory basis for a rate which is not less than the Treasury rate determined by considering: (1) Current average market yield on outstanding U.S. marketable obligations of comparable maturities; (2) Comparable private market rates; and (3) Cost of Secretary of Agriculture's insurance plus an additional charge to cover losses.

Rural Utilities Program

Water and Environmental loans have a statutory basis for rates, which have a range between less than or equal to five percent, to not greater than the current market yield for outstanding municipal obligations of comparable maturities adjusted to the nearest eighth of one percent. Telecommunication cost-of-money loans have a statutory basis for rates equal to the current cost-of-money to the Federal Government for loans of a similar maturity, but not to exceed seven percent. Electric municipal loans have a statutory basis for rates equal to the current market yield on outstanding municipal obligations, subject to a seven percent maximum, with remaining periods to maturity similar to the term selected by the applicant. Telecommunication and Electric hardship loans have a statutory basis for a rate of five percent. The rate on Telecommunication and Electric loans purchased by the Federal Financing Bank shall be the rate applicable to similar loans being made or purchased by the Federal Financing Bank.

NOTE 14: Continued

Exchange Transactions with Federal Sources
Rural Development is unable to recoup all the costs associated with its loan making and loan servicing activities. The main reason is that the costs associated with borrowings from Treasury exceed the interest income received from borrowers plus any interest income earned from Treasury.

NOTE 15: INTER-ENTITY COSTS

Pursuant to SFFAS 4, Managerial Cost Accounting Standards and Concepts, as amended, paragraph 113A, Rural Development is providing a disclosure with regards to imputed inter-entity costs.

Rural Development receives goods and services from other federal entities at no cost or at a cost less than the full cost. Consistent with accounting standards, certain costs of the Office of Personnel Management (OPM) and Department of Treasury Judgment Fund that are not fully reimbursed by Rural Development are recognized as imputed costs on the Statement of Net Cost and are offset by imputed revenue on the Statement of Changes in Net Position. The imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified in this disclosure are not included in our financial statements.

NOTE 16: NOTE DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES (SBR)

A. Adjustments to Unobligated Balance Brought Forward

The information below relates to adjustments made to the prior year's ending unobligated balances.

The Rural Business Investment Program Account had a $1 million adjustment to the prior year ending unobligated balance. The adjustment was due to a return of reestimated loan subsidy to a prior fiscal year. The Rural Housing Voucher Account had a $1 million adjustment to the prior year ending unobligated balance due to a change in the reporting of 1984/1985 Rental Assistance. The Rural Business and Industry Guaranteed Loans Financing Account and the Rural Housing Insurance Fund Guaranteed Loan Financing Account both had a $44 million adjustment to the prior year ending unobligated balance to correct the distribution of collections from RD's clearing account between the two accounts. Similarly, the Rural Water and Waste Disposal Direct Loans Financing Account and the Rural Business and Industry Direct Loans Financing Account also had adjustments to the prior year ending unobligated balance to correct the distribution of collections from RD's clearing account between the two accounts, but the amounts were immaterial and were under $1 million.

NOTE 16: Continued

B. Terms of Borrowing Authority Used

Requirements for Repayments of Borrowings

Rural Development repays borrowings on SF 1151, Nonexpenditure Transfer Authorization, as maturity dates become due. For liquidating accounts, maturity dates are one working day prior to the anniversary date of the note. For financing accounts, maturity dates are based on the period of time used in the subsidy calculation, not the contractual term of the Agency's loans to borrowers. This period of time used in the subsidy calculation will normally be longer than the contractual term of the Agency's loans to borrowers.

Financing Sources for Repayments of Borrowings

Rural Development utilizes reestimates, cash flows, liquidating account appropriations, and residual unobligated balances to repay Treasury borrowings.

Other Terms of Borrowing Authority Used

In general, borrowings are for periods between one year and approximately fifty years depending upon the loan program/cohort. Interest rates on borrowings in the liquidating accounts were assigned on the basis of the Treasury rate in effect at the time of the borrowing. Interest rates on borrowings in the financing accounts are assigned on the basis of the Treasury rate in effect during the period of loan disbursements. Rural Development disburses some individual loans over several quarters or years.

Consequently, several interest rates can be applicable to an individual loan. Thus, a single weighted average interest rate is maintained for each cohort and is adjusted each year until the disbursements for the cohort have been made. Each year, the current average annual interest rate is weighted by current year disbursements and merged with prior year weighted averages to calculate a new weighted average.

C. Available Borrowing Authority, End of the Period

As of September 30, 2025, the amount of available borrowing authority was $37,915 million.

D. Undelivered Orders at the End of the Period

	Undelivered Orders		
	Federal	**Non Federal**	**Total**
FY 2025			
Paid	$ 0	$ 0	$ 0
Unpaid	4,115	59,670	63,785
Total Undelivered Orders	**$ 4,115**	**$ 59,670**	**$ 63,785**

NOTE 16: Continued

E. Permanent Indefinite Appropriations

Existence, Purpose, and Availability of Permanent Indefinite Appropriations

Permanent indefinite appropriations are mainly applicable to program accounts for reestimates related to upward adjustments of subsidy. Under unique situations, both liquidating and financing accounts may receive appropriations. These appropriations become available pursuant to standing provisions of law, without further action by Congress, after transmittal of the Budget for the year involved. However, they are not stated as specific amounts but are determined by specified variable factors, such as cash needs for the liquidating accounts, servicing actions, and subsidy reestimates for the program accounts.

The periods of availability for these appropriations are as follows: (1) Annual authority is available for obligation only during a specified year and expires at the end of that time; (2) Multi-year authority is available for obligation for a specified period of time in excess of one fiscal year; and (3) No-year authority remains available for obligation for an indefinite period of time, usually until the objectives for which the authority was made available are achieved.

Annual and multi-year authority expire for the purpose of incurring new obligations. However, the authority is available for adjustments to obligations and for disbursements that were incurred or made, but not recorded, during the period prior to expiration. Unless specifically authorized in law, the period that the expired authority is available for adjustments to obligations or for disbursements is five fiscal years (beginning with the first expired year). At the end of the fifth expired year, the authority is "cancelled." Thereafter, the authority is not available for any purpose.

F. Legal Arrangements Affecting the Use of Unobligated Balances

The availability or use of budget authority (i.e., unobligated balances) for obligation and expenditure are limited by purpose, amount, and time.

Purpose

Rural Development obligates and expends funds only for the purpose authorized in appropriation acts or other laws.

Amount

Obligations and expenditures may not exceed the amounts established by law. Rural Development classifies amounts available as either definite (i.e., not to exceed a specified amount) or indefinite (i.e., amount is determined by specified variable factors).

NOTE 16: Continued

Time

The period of time during which budgetary resources may incur new obligations is different from the period of time during which the budgetary resources may be used to disburse funds.

The time limitations on the use of unobligated balances are the same as those previously discussed in the last two paragraphs of the Permanent Indefinite Appropriations footnote disclosure **(Note 16 E)**.

Any information about legal arrangements affecting the use of unobligated balances of budget authority will be specifically stated by program fiscal year in the appropriation language, or in the general provisions' section, at the end of the Appropriations Act.

G. Differences Between the SBR and the Budget of the U.S. Government

The 2027 Budget of the United States Government, with the "Actual" columns completed for FY 2025, has not yet been published as of the date of these financial statements. The Budget is currently expected to be published and delivered to Congress in 2026.

The Budget will be available from https://www.whitehouse.gov/omb/information-resources/budget.

The 2026 Budget of the United States Government, with the "Actual" columns completed for FY 2024 was published in May of 2025 and reconciled to the SBR.

The reconciling items represent:

- Expired budgetary authority available for upward adjustments of obligations, which is excluded from the President's Budget "Actual" columns per OMB Circular No. A-11 but is included in the SBR.
- In FY 2024, Alternative Agricultural Research and Commercialization Corporation Revolving Fund (12X4144) was not included in the SBR but was included in the Budget.
- In FY 2024, Office of the Secretary, Agriculture (12X0115) was included in the SBR, but was not included in the Rural Development Budget section, thus on the reconciliations it is treated as an adjustment.
- In FY 2024, Food Supply Chain and Agriculture Pandemic Response Guaranteed Financing Account (12X4391) and Program Account (12X0408) were included in the SBR but were not included in the Rural Development Budget section, thus on the reconciliations it is treated as an adjustment.

NOTE 16: Continued

- In FY 2024, Agricultural Credit Insurance Fund Program Account (122/11140) was included in the SBR but was not included in the Rural Development budget section, thus on the reconciliations it is treated as an adjustment.

- In FY 2024, Assistance for Farmer and Ranchers Program Account (122/11124) was included in the SBR but was not included in the Rural Development budget section, thus on the reconciliations it is treated as an adjustment.

- Amounts due to rounding.

Reconciliation Between FY 2024 Combined Statement of Budgetary Resources and the President's Budget					
Applicable Line from SBR	**Amount from SBR**	**Applicable Line from President's Budget**	**Amount from President's Budget**	**Legitimate Differences**	**Reporting Errors**
Total Budgetary Resources (Line 1910)	$ 49,865	Total Budgetary Resources Available for Obligation	$ 48,627	$ 1,238 E 109 A 1,128 R 1	None
New Obligations and Upward Adjustments (Line 2190)	$ 29,096	Total New Obligations	$ 28,778	$ 318 E 2 A 316 R 0	None
Distributed Offsetting Receipts (Line 4200)	$ (3,075)	Treasury Combined Statement (Receipts by Department)	$ (3,075)	$ 0	None
Net Outlays (Line 4190 and 4220)	$ 10,387	Outlays	$ 10,152	$ 235 A 232 R 3	None

<u>Legend</u>
E = Expired Budgetary Authority
R = Rounding
A = Adjustment

NOTE 17: INCIDENTAL CUSTODIAL COLLECTIONS

		FY 2025
Sources of Collections		
Recoveries and Refunds	$	7
Total Revenue Collected		**7**
Disposition of Collections		
Amount Transferred to Treasury Receipt Accounts	$	(7)
Total Disposition of Revenue		**(7)**
Net Custodial Activity	**$**	**0**

NOTE 18: RECONCILIATION OF NET COST TO NET OUTLAYS

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The reconciliation explains the relationship between the net cost of operations and net outlays by presenting (1) components of net cost that are not part of net outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities); (2) components of net outlays that are not part of net cost (e.g. acquisition of capital assets); and (3) other temporary timing difference (e.g. prior period adjustments due to correction of errors). The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

The Agency reported a significant increase, from the prior fiscal year, in the components of net operating costs that are not part of the budgetary outlays. Current Year Accrual Subsidy Cost Amount for FY 2025 was $2,082 million and for FY 2024 it was $1,715 million. The increase of $367 million represents an overall increase in the FY 2025 reestimates accruals that will not result in an outlay until FY 2026 from the budgetary accounts. The Loans Receivable decreased mostly within the Rural Housing Insurance Fund account. Accounts payable increased in FY 2025 which is attributed to the FY 2025 reestimate accruals that were recorded in the budgetary accounts and will get outlayed in FY 2026. Non-Entity activity also increased in FY 2025 as a result of downward reestimate activity.

NOTE 18: Continued

FY 2025		Intragovernmental		Other than Intragovernmental
Net Cost	**$**	**391**	**$**	**5,259**
Components of Net Cost Not Part of Budgetary Outlays:				
Property, Plant, and Equipment Depreciation Expense	$	0	$	(1)
Property, Plant, and Equipment Disposals and Reevaluations		0		0
Lessee Lease Amortization		0		(7)
Current Year Accrual Subsidy Cost Amount		2,082		0
Increase/(Decrease) in Assets:				
Accounts Receivable, Net		0		0
Loans Receivable, Net (Non-FCRA)		0		(219)
Other Assets		0		27
(Increase)/Decrease in Liabilities				
Accounts Payable		411		(1)
Lessee Lease Liability		0		5
Insurance and Guarantee Program Liabilities		0		0
Environmental and Disposal Liabilities		0		0
Federal Employee Salary, Leave, and Benefits Payable		0		(1)
Post-Employment Benefits Payable		0		(17)
Other Liabilities		11		(20)
Credit Reform Subsidy Reestimates		0		0
Contingent Liabilities		0		0
Other Liabilities		11		(20)
Financing Sources:				
Imputed Cost		(125)		0
Total Components of Net Operating Cost Not Part of Budgetary Outlays		**2,379**		**(234)**
Components of the Budget Outlays That Are Not Part of the Net Operating Cost:				
Acquisition of Capital Assets		0		20
Acquisition of Inventory		0		0
Financing Sources:				
Transfers Out (In) Without Reimbursements		0		0
Total Components of the Budget Outlays That are not part of Net Operating Cost		**0**		**20**
Miscellaneous Items:				
Distributed Offsetting Receipts		0		(3)
Custodial/Non-exchange revenue		0		0
Non-Entity Activity		(1,807)		0
Other Temporary Timing Differences		0		0
Total Other Reconciling Items		**(1,807)**		**(3)**
Total Net Outlays	**$**	**963**	**$**	**5,042**
Budgetary Agency Outlays, Net			$	**6,005**
Difference			$	**0**

NOTE 19: FIDUCIARY ACTIVITY

Refer to **Note 1** regarding the implementation of SFFAS 31, Accounting for Fiduciary Activity.

Rural Housing Insurance Fund (RHIF) was established by Public Law 89-117 pursuant to section 517 of Title V of the Housing Act of 1949, which authorized Rural Development to collect escrow payments on behalf of new and existing Single-Family Housing borrowers. Other fiduciary activities by Rural Development include but are not limited to collections from borrowers, interest paid on escrow accounts, and payments to insurance agencies and taxing authorities.

Schedule of Fiduciary Activity for the Years Ended September 30, 2025 and 2024

	FY 2025	FY 2024
Fiduciary Net Assets, beginning of year	**$ 96**	**$ 87**
Contributions	562	510
Disbursements	589	501
Increase/Decrease in Fiduciary Fund Balances	**(27)**	**9**
Fiduciary Net Assets, end of year	**$ 69**	**$ 96**

Schedule of Fiduciary Net Assets for the Years Ended September 30, 2025 and 2024

	FY 2025	FY 2024
Cash and Cash Equivalents:		
Escrow Funds held at Treasury	$ 41	$ 38
Investments in Treasury Securities – Short Term	28	58
Investments in Treasury Securities – Long Term	0	0
Total Fiduciary Net Assets	**$ 69**	**$ 96**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Combining Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

FY 2025	Rural Community Advancement Programs		Rural Electrification/ Telecommunication Funds		Rural Telephone Bank Funds	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:						
Unobligated Balance from Prior Year Budget Authority, Net	$ 1,196	$ 1,548	$ 8,914	$ 4,196	$ 0	$ 14
Recoveries of Prior Year Unpaid Obligations	116	455	0	134	0	0
Other Changes in Unobligated Balance	(1)	(1,633)	(173)	(439)	0	(14)
Unobligated Balance from Prior Year Budget Authority, Net	1,311	370	8,741	3,891	0	0
Appropriations	1,587	0	630	0	7	0
Borrowing Authority (Note 16)	0	2,002	0	18,393	0	2
Contract Authority	0	0	0	0	0	0
Spending Authority from Offsetting Collections	11	2,349	9	5,456	0	7
Total Budgetary Resources	**2,909**	**4,721**	**9,380**	**27,740**	**7**	**9**
Status of Budgetary Resources:						
New Obligations and Upward Adjustments	2,052	3,014	8,567	22,194	7	2
Unobligated Balance, End of Year:						
Apportioned, Unexpired Accounts	842	1,706	804	5,546	0	7
Exempt from Apportionment, Unexpired Accounts	0	0	0	0	0	0
Unapportioned, Unexpired Accounts	3	1	0	0	0	0
Unexpired Unobligated Balance, End of Year	845	1,707	804	5,546	0	7
Expired Unobligated Balance, End of Year	12	0	9	0	0	0
Total Unobligated Balance, End of Year	857	1,707	813	5,546	0	7
Total Budgetary Resources	**2,909**	**4,721**	**9,380**	**27,740**	**7**	**9**
Outlays, Net:						
Outlays, Net	2,019		653		7	
Distributed Offsetting Receipts	(144)		(1,305)		0	
Agency Outlays, Net	**$ 1,875**	**$**	**$ (652)**	**$**	**$ 7**	**$**
Disbursements, Net		**$ 1,202**		**$ 4,203**		**$ (7)**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Combining Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

FY 2025	Rural Housing Funds		Rental Assistance Programs		Rural Housing Grants	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:						
Unobligated Balance from Prior Year Budget Authority, Net	$ 261	$ 1,730	$ 26	$ 0	$ 42	$ 0
Recoveries of Prior Year Unpaid Obligations	24	119	4	0	4	0
Other Changes in Unobligated Balance	(80)	(1,591)	1	0	0	0
Unobligated Balance from Prior Year Budget Authority, Net	205	258	31	0	46	0
Appropriations	1,994	0	1,678	0	98	0
Borrowing Authority (Note 16)	0	1,062	0	0	0	0
Contract Authority	0	0	0	0	0	0
Spending Authority from Offsetting Collections	80	3,689	0	0	0	0
Total Budgetary Resources	**2,279**	**5,009**	**1,709**	**0**	**144**	**0**
Status of Budgetary Resources:						
New Obligations and Upward Adjustments	1,986	2,251	1,690	0	60	0
Unobligated Balance, End of Year:						
Apportioned, Unexpired Accounts	250	2,758	1	0	84	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	2	0	0	0
Unexpired Unobligated Balance, End of Year	250	2,758	3	0	84	0
Expired Unobligated Balance, End of Year	43	0	16	0	0	0
Total Unobligated Balance, End of Year	293	2,758	19	0	84	0
Total Budgetary Resources	**2,279**	**5,009**	**1,709**	**0**	**144**	**0**
Outlays, Net:						
Outlays, Net	1,710		1,823		80	
Distributed Offsetting Receipts	(265)		0		0	
Agency Outlays, Net	**$ 1,445**	**$**	**$ 1,823**	**$**	**$ 80**	**$**
Disbursements, Net		**$ (1,303)**		**$ 0**		**$ 0**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Combining Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

FY 2025	Salaries & Expense		Other		Total	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:						
Unobligated Balance from Prior Year Budget Authority, Net	$ 260	$ 0	$ 2,236	$ 346	$ 12,935	$ 7,834
Recoveries of Prior Year Unpaid Obligations	15	0	250	29	413	737
Other Changes in Unobligated Balance	49	0	(19)	(237)	(223)	(3,914)
Unobligated Balance from Prior Year Budget Authority, Net	324	0	2,467	138	13,125	4,657
Appropriations	448	0	287	0	6,729	0
Borrowing Authority (Note 16)	0	0	0	387	0	21,846
Contract Authority	0	0	0	0	0	0
Spending Authority from Offsetting Collections	502	0	30	144	632	11,645
Total Budgetary Resources	**1,274**	**0**	**2,784**	**669**	**20,486**	**38,148**
Status of Budgetary Resources:						
New Obligations and Upward Adjustments	1,017	0	1,677	380	17,056	27,841
Unobligated Balance, End of Year:						
Apportioned, Unexpired Accounts	237	0	1,078	289	3,296	10,306
Exempt from Apportionment, Unexpired Accounts	0	0	0	0		0
Unapportioned, Unexpired Accounts	0	0	0	0	5	1
Unexpired Unobligated Balance, End of Year	237	0	1,078	289	3,301	10,307
Expired Unobligated Balance, End of Year	20	0	29	0	129	0
Total Unobligated Balance, End of Year	257	0	1,107	289	3,430	10,307
Total Budgetary Resources	**1,274**	**0**	**2,784**	**669**	**20,486**	**38,148**
Outlays, Net:						
Outlays, Net	502		1,030		7,824	
Distributed Offsetting Receipts	(13)		(92)		(1,819)	
Agency Outlays, Net	**$ 489**	**$**	**$ 938**	**$**	**$ 6,005**	**$**
Disbursements, Net		**$ 0**		**$ 86**		**$ 4,181**

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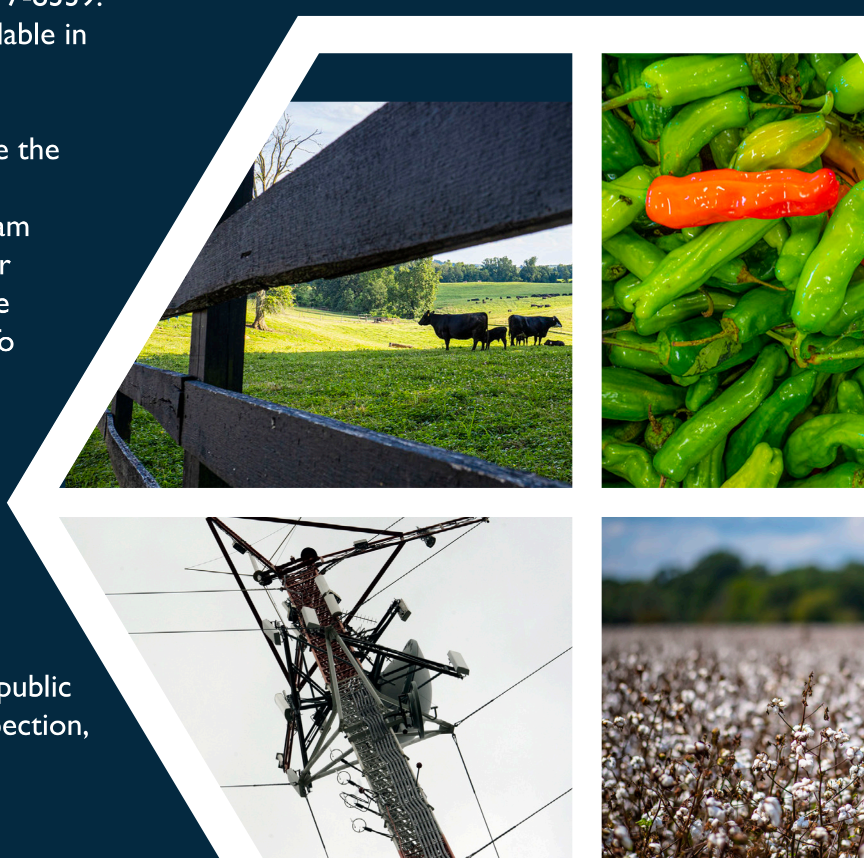

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